

Customer Care Management

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▶ **Contact Center Service Providers**

More Than Just Outsourcing?



More than Outsourcing

Whether you need a turnkey call center or sophisticated network routing, the decision to lease-vs.-buy can impact your cost structure and enhance your business focus.



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Contact Center Service Providers

It's more than just outsourcing

In the days before computers, “the phone company” provided almost all call center technology — including the telephone system, phones, and call transmission. With the exception of the call center’s building and people, everything was provided through a one-stop shop. The phone company was the ultimate service provider.

Service providers have come a long way since then. Just defining the term is becoming exceedingly complex. While the historical trend of companies owning their call center facilities and systems has not changed, there are more options than ever before. Almost everything required to operate a modern contact center can be obtained on an expense basis from a third party service provider.

When the term “contact center service provider” is mentioned, most people think of outsourcers. Outsourcing represents just one of a broad assortment of services available from third-party vendors.

This perspective provides a:

- definition of contact center service providers
- description of their common characteristics
- discussion on how their business models work
- offers guidelines on how best to work with them

Types of Providers

Service providers should become your partners in the contact center operation; providing service in exchange for fees. Ownership is another characteristic. In all cases, service providers “own” some part of your operation. The phone company owns the transmission facility that transports your calls, and the leasing company owns your equipment. A continuum ranges from these examples all the

way through to complete outsourcers that will do it all for a monthly expense charge.

Outsourcers — These providers take some or all of your calls in their facility and provide virtually everything — staff, technology, and sometimes, the business applications supporting the customer service representatives (CSRs). In this model, the

customer does not have a capital budget per se; instead, everything is on the operational expense (opex) side of the ledger. The outsourcer’s business model relies on economies of scale. By combining many customers into a single center, the outsourcers have a mathematical advantage that you may not be able to achieve on your own. Examples of outsourcing companies include: ClientLogic, Sitel and All West

Communications.

Insourcers — These providers take your calls on your premises. The enterprise may continue to own the technology, but the CSRs are employed by the insourcer. The value proposition for insourcers their operational excellence. They can provide professional contact center managers and robust command and control tools that your company may not possess. InTelegy is an example of this type of service provider.

Technology — Every hardware component required to run a contact center is available from a third-party service provider. Network announcements, such as a network recording played in response to an event such as network blockage, are the most basic examples.

IP telephony has re-invigorated the Centrex and hosted ACD marketplace. VOIP’s inherent broadband and WAN

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characteristics have made it a strong competitor in the very small/single center and the very large/multi-site contact center telephony marketplace. Both are easy to deploy with minimal premise equipment, certainly as compared with customer premise equipment (CPE) and even as compared to traditional Centrex.

Remember, traditional Centrex requires a twisted pair for each station, either physically or logically for each station. With IP telephony, all the vendor requires is a high speed data connection, limited premise equipment and access to corporate LAN services.

In multi-site operations, IP telephony truly operates as a single platform, having routing knowledge down to the individual agent without complex, expensive CTI implementations.

Network voice processing, from network prompting to full interactive voice response (IVR), is available not just from the phone company, but also from independent providers such as Prosodie Interactive. Even complete Automatic Call Distributor (ACD) services can be provided in the network, from either the incumbent local exchange carrier (ILEC) or the toll-free vendor/interexchange carrier (IXC).

Customer service applications can also be hosted by a third party, eliminating the capital expense of data systems, network infrastructure and application ownership. All equipment vendors provide leasing services and, of course, there are companies that specialize in equipment leaseback. Salesforce.com is an example of a hosted applications provider.

The value proposition for all the players in this category is tied to the “lease” versus “buy” issue. In return for loss of control, you

can have the latest and greatest equipment. A small company can have “big system” capabilities on an expense basis. A big company can minimize the immediate out-of-pocket cost of ownership.

Disaster Recovery — The lessons of September 11 have taught us all the necessity of disaster planning, and companies in this space, such as Sungard, serve this need by providing off-site data storage, data processing operations and/or complete call centers.

These providers assume that not all of their clients will have a disaster at the same time, and to ensure adequate coverage, disaster recovery companies try to diversify across geography and industry, minimizing the possibility of simultaneous client disasters. Thus, they can provide robust disaster recovery services you cannot imagine affording on your own.

Fulfillment — Fulfillment firms have been around almost as long as the phone company. They do not require much technology, beyond a daily printout of materials that need shipping. Of course, in today’s world of extranets, partner relationship management (PRM), supply chain management and other real-time technologies, these firms have grown much more advanced. A simplistic business model of low-cost floor space and employees has evolved into a model based on speed-to-delivery and inventory management. UPS and FedEx have fulfillment operations.

Carrier Provided Services

The ILEC and IXCs also offer an array of robust capabilities that contact centers can use to aggressively manage their customer interactions. Network services take advantage of capabilities that exist within the public switched telephone network (PSTN), and include:

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Intelligent Call Routing (ICR) — This feature is employed with multiple centers, and is provided either in conjunction with premises-based call routing platforms or with carrier-provided equipment. The network holds the call at a service control point (SCP) and interrogates the routing platform for routing instructions via the PSTN's Signaling System 7 (SS7) network. In the service's simplest form, carrier ICR routers are connected to the ACD at each customer location, and have knowledge of queue depths as well as other basic real-time information. At its most sophisticated, the router knows the status of each CSR and has access to caller history to provide complex skills-based routing. Carriers usually assess a per-interrogative, or database dip, charge of anywhere from a 1/2 cent to a penny for ICR service.

IP Telephony is providing a viable premise based ICR alternative. Multiple sites are treated as a single center because the central switching platform is a centralized utility.

Network Signaling — We are all familiar with Automatic Number Identification (ANI, the number called from) and Dialed Number Identification Service (DNIS, the number called), which are provided by the IXC's. DNIS is usually provided free of charge, while ANI usually costs anywhere from a 1/2 cent to a penny per delivered ANI. While most carriers can provide DNIS signaling in-band over traditional T1 service, some carriers require ANI be signaled out-of-band over an ISDN D-channel.

Most people assume there is a one-to-one relationship between DNIS and the toll-free number being dialed. In reality, it is possible to assign multiple, unique DNIS numbers down to the area code and even down to the exchange for a single toll-free number. This represents a fair amount of intelligence for the enterprise — for some contact centers

with widely-dispersed customers, this level of granularity of DNIS numbers can serve to identify the caller, so the center does not have to pay for ANI.

On the local exchange carrier (LEC) side, calling line ID (CLID) and direct inward dialing (DID) are technically equivalent to the IXC's ANI and DNIS. DID service can play a powerful disaster recovery role in the contact center, in the following way: If you coordinate the assignment of DNIS numbers to match the range of DID numbers you are assigned, you can subscribe the DID lines to switched 800 service and in the event of certain kinds of IXC failures, the calls can be moved, via IXC routing services, to the LEC for completion. DID service is a relatively small charge, roughly \$100 per month for each block of 100 numbers assigned.

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In practice, ANI and CLID are rarely used by contact centers. ANI or CLID use in identifying

callers has a very low success rate because few customers call from the phone number of record — this issue is well documented. Instead of using ANI or CLID, frequent caller information can be provided historically, which is much more useful as part of network call detail reporting (as discussed below).

Network Queuing — Most of the larger toll-free carriers will allow you to queue calls in their network under certain conditions — usually an “all-trunks-busy” event. Network queuing is most often used in situations where a premise ACD is out of shelf space and cannot add more trunks, or where widely varying traffic loads do not justify peak trunking levels.

Network queuing requires enlightened management (i.e. management that recognizes

the value of calls and wants to serve as many as possible). The down side is that reporting can become chaotic because the true service level delivered to callers is a composite of hold times across both premise and network queues. Network queuing is usually priced as a combination of queue slots (monthly recurring charge per slot) and network prompting charges (per-prompt as described below).

Network Voice Processing — This is one of the most robust and powerful services provided by IXC's. From simple automated attendant to full IVR with speech recognition, you can get end-to-end network capabilities — for a price. At a charge of up to a nickel per prompt (even more for speech recognition prompts) network IVR charges can accumulate quickly. If all your calls require some form of voice processing, it may be worthwhile to invest in premises-based IVR systems instead.

From simple automated attendant to full IVR with speech recognition, you can get full voice processing capability from the carriers.

However, network voice processing is effective for simple, new or smaller applications, or for companies intensely averse to capital expenditures. If you must front-end every call to either ID the caller and/or their needs, and it requires several prompts to obtain this information, it may be more effective to route all calls to a centralized IVR farm (which you own), obtain your information there and use another carrier service called network post call re-direction (PCR) to re-terminate the call at an appropriate agent location.

Post Call Redirection (PCR) — This is a very handy service when there are many transfers across multiple sites. In the IVR farm example above, without PCR, the IVR would have to seize an outbound trunk and complete the call via a traditional transfer. In this case, not only are two trunk resources tied up but you are also being double-billed;

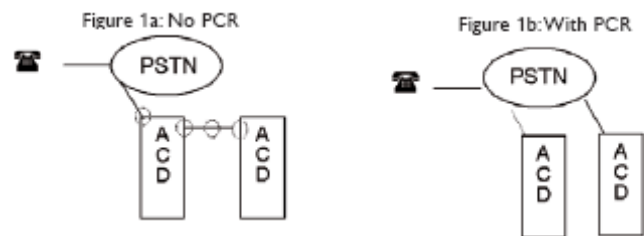
once for the toll-free inbound side and once for the outbound toll side.

With PCR, it is possible to signal the carrier to take the call back and re-establish the call to any phone number, including toll-free numbers, thus freeing up the IVR port and associated trunk. The call is taken down all the way back to the originating point of presence (POP) and re-terminated at the new location. This results in only one per-minute charge and a much more direct link.

The above description works exactly the same for calls transferred from one contact center to another. Figure 1a demonstrates how, without PCR, there are multiple connections and as such multiple billing points. Figure 1b shows how PCR eliminates these unnecessary connections.

Post-Call Redirection Streamlines Connections

There are many pricing scenarios for PCR,



but the most common is a nickel for all calls carried by the PCR-equipped toll-free number — whether the PCR function is employed on the call or not. Other scenarios provide for increased charges, but applied only to calls transferred by the PCR process. If it takes three to five prompts to identify the caller and their needs in the network IVR example above, the cost will be 15-25 cents per call.

This is compared to five cents a call if you send these calls to your IVR to collect the information and use PCR to transfer the call to CSRs.

Routing Control Services — All the large toll-free carriers can provide the contact center manager with manual macro-routing capability across multiple centers (i.e. the carrier's network operations center will adjust traffic allocation to when requested by the call center manager). Most commonly used for disaster recovery and rudimentary load balancing, this service usually has a flat fee, which is negligible — around \$1,000 per year.

Network Reporting — The IXC's provide great reporting capabilities. At the minimum, busy reports quantify caller retry behavior and establish true demand. A common trick played by call center managers is to manage service levels by restricting telephone lines into the center. Network busy reports can help you proactively manage these practices. More importantly, matching network reporting with ACD reporting can spotlight routing and reporting problems. Network reporting can provide full call detail on all attempts; statistical analysis on frequent callers, completion rates and re-routes can add significantly to a manager's understanding of his center's dynamics and caller behavior.

Network ACD — End office switches of both the LEC and IXC's are becoming more and more capable. Many offer ACD capabilities from either a central office (CO) switch or a shared standalone ACD in the CO. Network ACD offerings are good options for very large or very small operations, or operations that have sudden/dramatic demand changes. Airlines have long used these services in support of call centers with 2,000+ seats,

placing their entire ACD functionality into the PSTN. IP Telephony platforms are now being offered by ILECs as alternative to premise based ACDs.

This offering is not limited to Centrex-like services from the LEC. At least one large reservation operation has established network ACD services in their IXC's point of presence (POP). These services are negotiable and should be approached with the same care and forethought given any customer premise equipment (CPE) acquisition.

Note that as VOIP technology evolves, the IXC's are developing alternative access to the PSTN via IP, which will ultimately develop into traditional call center services.

The Partner Aspect

So far, we have discussed the "what" of service providers. The "how" is a very important factor in working with them. When working with outsourcers of any type, regular ongoing contact and performance evaluations are standard operating procedure.

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All service providers require regular care and nurturing. As your partners, service providers are expected to know your business and constantly be looking for ways to improve service to your customers and reduce costs. You should have regular ongoing "team" meetings with your key partners and constantly

exchange information to encourage innovation.

Conclusion

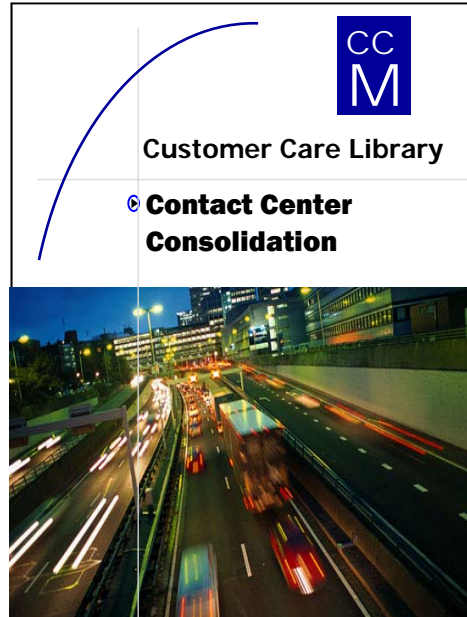
Everything needed to run an advanced contact center operation is available on an expense basis from a third-party vendor. From new companies needing advanced customer care functions but lacking a capital budget, to massive call centers that need central office capabilities — there is something for every application.

The benefits of using service providers focus primarily on cost accounting and ongoing management; the drawbacks center on control and flexibility. But the business decision on whether to use these services often comes down to a classic lease vs. buy calculation.

In all cases, you should approach the decision to use service providers like any capital acquisition — methodically and analytically. And in all cases, the service provider should be treated like a partner, with expectations established early in the relationship.

In general, pricing for different services varies dramatically as an enterprise moves from using published public tariffs to private contract pricing. Pricing used here represents best estimates of typical pricing; your actual pricing will vary depending on your size and marketing leverage. The bottom line: take your time, understand how your service provider partner makes its money, do the math, and negotiate.

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Low Risk

One of the surest ways for a contact center to achieve improvements in both service quality and cost performance is to take advantage of economies of scale. To gain these efficiencies, fewer, larger agent groups are often better than having many small agent groups; operating larger centers is often better than operating many small centers.

About the Author

Ike Mitchell is a Contact Center specialist with in-depth knowledge of process re-engineering, customer service and technology. He has focused on both the technical and human sides of contact center management. His experience includes assessing and avoiding business risks, planning technology assets, and managing large projects. Mr. Mitchell has extensive industry experience and has provided consulting services in over 100 contact centers covering multiple applications, sizes, technologies and industries.

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