



# USA800

Making Every Contact Count

## TECHNOLOGY - AN IMPORTANT INGREDIENT FOR POSITIVE RESULTS IN CONTACT CENTER OUTSOURCING

*“... In most companies, IT’s priority and main function is not to support the contact center, but the business as a whole. In a contact center outsourcing company, IT’s first priority and function is to support the contact center...”*

*Technology is often considered the hidden or sometimes overlooked value component to outsourcing. This white paper attempts to bring insight and clarity to the technology aspect of the Contact Center Outsourcing business. It further explores the state of the industry today, and provides a baseline perspective of how outsourcers compare to in-house contact centers, relative to their technology profile.*

*The author is Tom Davis, CEO and President of USA800, a mid-sized US based outsourcing CSP (Call center Service Provider) located in the mid-west, who also offers his point of view, discussing some of the “myths” or “false perceptions” about outsourcers and their technology. He then offers a model for developing and evaluating the ROI component of the outsourcing model, which is punctuated with a client case study provided from his own company.*

*Tom provides a “Top Tips” list for companies seeking to find an outsourcing partner, which provides information on how to go about benchmarking and evaluating candidates’ technology capabilities. For more industry related thought leadership, go to [www.usa800.com/resourcelibrary](http://www.usa800.com/resourcelibrary).*

## Introduction:

These are very exciting times in the contact center industry from a technology perspective, and as a CEO of a contact center services company who has a real passion for technology, I find it exhilarating. With the advent of Voice Over Internet Protocol (VOIP) networks, Unified



Tom Davis, CEO, USA800

Communications (UC), Software as a Solution (SaaS), Mobile Services and Devices, Instant Messaging (IM) and Presence Management (PM) capabilities, as well as better integrated voice/self-service applications, the possibilities of how we

manage and communicate with customers are endless. Now, more than ever before, service providers have the ability to capitalize on our technology investments, and deliver on the promise of providing a more cost effective and better experience for our customers.

Realistically, however, many of these technologies are still in the early stages of deployment. There may be a variety of reasons, but cost usually ranks as one of the highest. For example, in a study recently conducted by Yankee Group Research, Inc., two of the top challenges IT decision makers gave as a deterrent to deploying an IP (Internet Protocol) telephony model were financially tied: 1) uncertainty of the ROI associated with the investment (32%); and 2) the up-front CAP-EX investment required (30%)<sup>1</sup>.

Another significant concern (20%) among IT executives was having a lack of staff with IP based skill-sets to manage the new infrastructure. Needless to say, the cost of hiring and maintaining a staff with all of the traditional, as well as the emerging skill sets can be cost prohibitive for a lot of companies.

<sup>1</sup> Zeus Kerravala, Sr. Vice President, Yankee Group, "A New Architecture is Required to Accelerate Unified Communications Deployments", Yankee Group Research, May 2009.

Logically, contact center outsourcers should be one group of users to become early adopters of technology due to the fact that we can spread our investment over a larger number of client contacts and therefore achieve our ROI faster than a lot of stand-alone contact centers. We also have the ability to build the efficiencies that result from technology into our pricing model, which ultimately makes us more competitive than an in-house contact center.

That doesn't mean, however, we can afford to scrap traditional support models solely in the interest of implementing exciting new technology, particularly given the fact that the majority of contacts our industry manages today are still primarily over the telephone (between 55-75% depending on the application). A

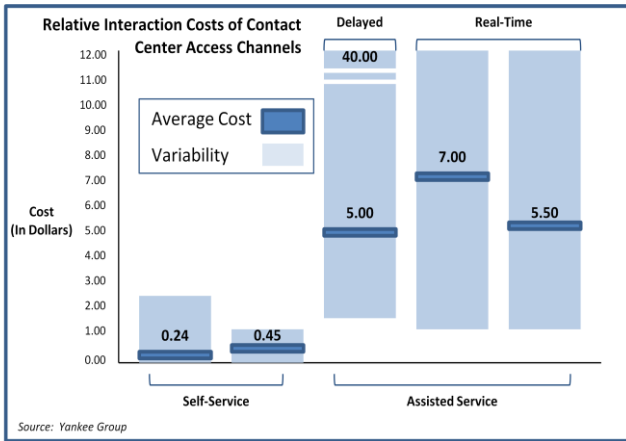
Yankee Group Research Study conducted in January of 2007<sup>2</sup>, showed that Web/Self-Service, Chat and E-mail accounted for just 10% of all support interactions with IVR-only accounting for about 13%. While they estimated that these channels will continue to grow possibly to a combined total of 40% by the end of 2010, they believe that voice will continue to dominate for several years to come.

*The average cost of a self service transaction is between \$.25-\$.60 cents versus \$5-\$7 for a live agent assisted contact<sup>3</sup>.*

The heavy push toward self-service, up until recently has primarily been driven by cost. The average cost of a completed web self-service or IVR interaction is between \$.25 - \$.60 cents versus \$5 - \$7 for a live agent assisted contact.<sup>3</sup>

<sup>2</sup> Ken Landoline, Enterprise Research, Customer-Centric Research Strategies Sr. Analyst, "Managing Tactical and Strategic Information to Perfect the Customer Interaction Experience", Yankee Group Research, January 2007

<sup>3</sup> Sheryl Kingstone, Enterprise Research, Customer Centric Strategies Director, "Implementing Effective Self-Service to Improve the Customer Experience and Drive Profitability". Yankee Group Research, October 2006



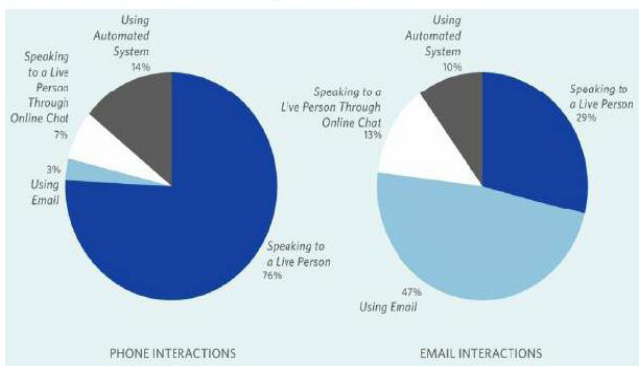
As an outsourcing provider, it is my belief that we need to understand and stay ahead of customer channel and usage preferences in order to plan for the future and create the technology roadmap for our infrastructure. At the same time, we need to ensure that we are managing today’s customer interactions as efficiently as possible for our clients, with an eye toward forward integration of these newer platforms, channels and software packages.

**State of Technology in the Outsourcing Industry Today**

If you look at the body of research that is available out there among the major contact center industry research firms and analysts, there is very little data regarding the “state of technology”, from a benchmarking perspective, within the outsourced environment. In fact, most of the top analysts don’t really look at “technology” as a separate or major area of consideration within their vendor evaluation criteria. If anything, they tend to look at the self-service channels and degree of integration the provider has as a pseudo technology indicator.

Interestingly, a separate customer satisfaction and consumer preference study conducted by ASPECT Software, Inc.<sup>4</sup>, corroborated that while the majority of customer transactions are still conducted over the telephone (77% in their study), those customers who primarily used e-mail as their channel of communication with companies, have a much higher preference for self-service channels and would rather not speak to a live agent. Hence, I would argue that the push toward multi-channel integration is now as much or more about customer preference and not just cost.

**Consumers Tend to Use Their Preferred Mode**



Consumers were asked: “Now, thinking again about your last interaction with (company), which one of the following methods would you have most preferred to use?”

The technology requirements for most in-house call centers are heavily weighted by their industry and day to day business activities. On the other hand, the technology requirements for an outsourcer need to be much broader in order to be able to handle the breadth of vertical markets and sales/service applications they support. As a result, many outsourcers have had to custom develop layers of systems and applications that enable them to integrate with multiple client front-ends, as well as back-end, legacy platforms. For this reason, many external CSPs (Call-center Service Providers) actually have some really good technology that never gets much press or acknowledgment from the analysts, largely, because technology is proprietary and is not marketed separately. Speaking strictly for USA800, we have developed a number of highly flexible software packages, including an integrated multi-channel web based CRM desktop application (Contact Central) and several very sophisticated reporting

<sup>4</sup> Aspect Software, Inc., “The 2007 Aspect Contact Center Satisfaction Index™ for North America Executive Report”, 2007

packages that, technologically, I believe could compete with most commercially available products on the market.

Why did we do this? The reasons are as follows:

1. **Integration.** We needed to be able to integrate with virtually any client's order management/inventory system but wanted a more robust front-end application from a CRM and channel management perspective.
2. **Consistency.** We wanted consistency in training and quality management across all of our agents, who in some cases are deployed on multiple client programs.
3. **Information.** We wanted access to more information from our telephony, workforce management and CRM systems, and have it packaged in a more meaningful way, to better manage our business.
4. **Efficiency.** We wanted to build tools that enable us to improve productivity, achieve higher results and reduce cost for our clients.
5. **Competitive Advantage.** We wanted to be able to outperform our competition.

In addition, we as vendors, have had to conform to certain technology and security standards that some in-house CSPs may not require, but find advantageous when implemented in an outsourced environment. For example, one client might require HIPAA (Health Insurance Portability and Accountability Act) compliance, which provides additional measures for personal identity and security protection for our clients in other industries (e.g. other insurance, investment brokerage or financial services). Security standards and compliance with certain technology standards, in general, are more important to outsourcers due to the competitive nature of the contact center business. USA800 does a lot of work for the state and local government, where the issue of data security is often a gating factor in winning contracts.

My last point with respect to comparing outsourcing to in-house technology, is that with the exception of the Fortune 500, most in-house centers are not as well equipped to handle outages, disasters, or high volume peaks due to disruptions or seasonal fluctuations in their business. The types of technologies that protect or are designed to handle these types of occurrences for most outsourcers are really considered "table stakes". In other words, as an external provider there are basic technology requirements we must have to do business, which some internal CSPs may not consider necessary or might consider cost prohibitive.

### ***Client Perceptions about Contact Center Technology in the Outsourced Environment – True or False?***

In the past, technology has been viewed as an impediment or negative on the part of many client companies in their decision to outsource. Why? I think there are several reasons, some of which are valid, but some of these concerns are simply false perceptions. Here are some True/False evaluations of these issues, from my perspective.

1. ***Lack of ability of outsourced environment to integrate with in-house systems and operations in order to provide a seamless customer experience- Partially True.*** In most cases, integration is not an issue. Outsourcing as an industry would be out of business if we were not able to mirror image our clients' operations and provide flexible platforms that integrate easily within their environment. There may be exceptions to the rule, but these are vendor specific and few and far between.
2. ***"Outsourced" technology environment is more costly,*** particularly if the client is outsourcing the entire technology solution for their contact center - **False.** As you will see later when we get into the ROI model for outsourcing contact center technology,



clients should expect to save as much as 10% on their contact center costs as a result of outsourcing the technology component. If they outsource 100% of the technology, it only gets better since the client is paying less money for custom integration and generally getting a lot more functionality. In addition, suppliers are able to ramp faster and deliver a lower cost per contact using their own systems.

3. **Perceived lack of control – False.** I would argue that most contact center executives and managers have more control over technology decisions and outputs in an outsourced environment than they do within

**Technology Concerns Limiting Desire to Outsource:**

- Lack of ability to provide systems integration without impacting the customer experience
- Outsourcers' technology more expensive
- Client lack of Control
- Outsourcers have inferior technology
- Data Security and Standards Requirement Concerns

their own. External service providers definitely cater to their clients' needs and wishes, but can also be more objective and flexible about the solution that the client wants, given

that we are not tied to a fixed business delivery model. In my 20+ years in this business, I've not seen too many situations where operations and IT were really working harmoniously together. That is because in most companies, IT's priority and main function is not to support the contact center, but the business as a whole. In a contact center outsourcing company, IT's first priority and function is to support the contact center.

4. **Perception that outsourcers have inferior technology to in-house contact center operations – True and False.** In many cases outsourcers, for reasons previously stated, are ahead of the curve, in terms of technology, innovation and adoption. However, when it comes to industry specific applications and requirements, most outsourcers

would be hard pressed to offer the same depth of capability and expertise as an in-house center, unless they have a specialty in that particular industry. If that is the case, the outsourcing company might actually offer a superior technology solution, due to the fact that they have exposure across many clients in the same industry and can build best practices.

At USA800, for example, our system architecture and software is designed to handle primarily inbound sales and direct response applications, which enable us to bring up these types of programs very quickly, regardless of the industry. Our desktop system, skills routing, performance priority routing, order management integration layer, and reporting; are all geared to handle this type of work in a highly efficient manner. In addition, our custom reporting layer has been designed to extract and synthesize the data that is the most relevant to managing these types of applications across the organization. (i.e. Agent Level, Team Level, Center Level, Enterprise Level).

5. **Perceived concerns with data security issues and standards compliance** which might be imposed from a regulatory perspective.



Screen Shot from USA800 Contact Central eCRM system

**Partially True.** The reference made earlier, pertaining to HIPAA compliance standards, is just one example of this type of requirement. PCI certification is another example that is sometimes a client requirement imposed in the financial services industry with respect to the handling of consumer credit data. Outsourcers have the ability to obtain the same certifications and comply with the same security standards as in-house centers and again, can spread this cost over multiple clients. Generally speaking, the certifications or industry specific security standards that an outsourcer has are a function of how much business they are doing in that industry and the degree to which it is a requirement to get the business.

### **Current and Future Technology Trends and The Outsourcing Decision**

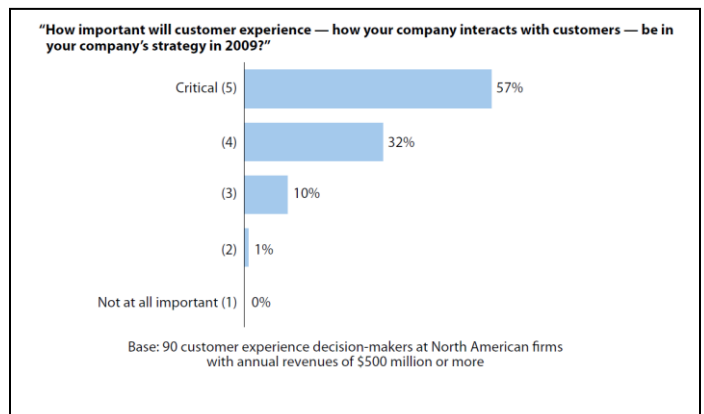
Looking at the industry as a whole, the single biggest technology initiative and investment companies have been focused on over the course of the last 5-10 years is **self-service channel introduction and integration**. To date, this has been seen primarily as a cost cutting initiative, but it can also have a significant impact on the top line, if it is done well. As an example, at USA800 we've seen on-line sales conversion rates increase by 15% with the introduction of web-chat as a closing tool for one of our communications clients.

#### **Profitable Self-Service KPI Impact Average Improvement<sup>4</sup>**

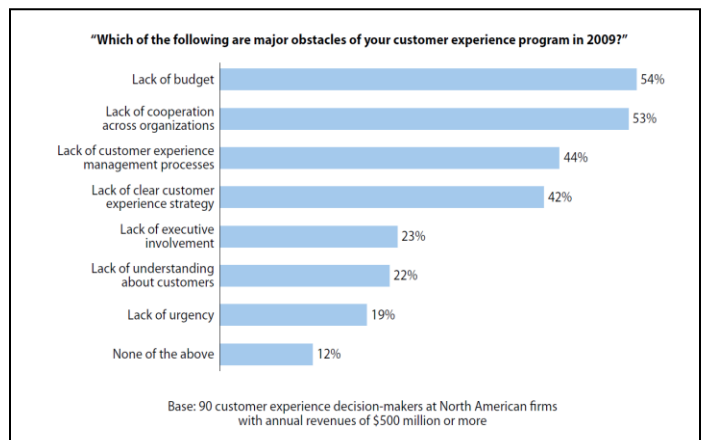
<i>Agent productivity gains:</i>	<i>35-75%</i>
<i>Call deflection:</i>	<i>15-40%</i>
<i>Hold Time Reduction:</i>	<i>20-30%</i>
<i>E-mail response times: Days to hours and/or minutes Accuracy:</i>	<i>50-85%</i>
<i>Customer Satisfaction:</i>	<i>12-60%</i>
<i>Revenue Lift:</i>	<i>5-125%</i>

And, adding web-chat has increased average order size significantly.

The migration to software only IP PBX's, ACDs and VOIP is probably the second biggest trend in the contact center technology arena, due to the savings obtained in telephony costs. In addition, there are a number of IP based solutions available on these platforms that further the migration to a UC environment where even greater efficiencies can be realized. However, the recent economic down turn has crippled IT investment budgets for purchasing new technology or deploying any major new initiatives to improve the customer experience. Forrester's Q4 Annual Customer Experience Peer Research Panel Survey<sup>5</sup> revealed that in spite of the fact that 57% of the North American firms rated improving customer experience as "critical" to their



company's success over the next three years, 54% (up 14% from 2007) cited lack of budget as a major obstacle to being able to accomplish this.



<sup>5</sup>Forrester Research, Inc. – Q4 2008, "Forrester's Q4 2008 Customer Experience Peer Research Panel Survey"

Lack of cooperation, lack of internal customer experience processes, not having a clearly defined strategy, were also sighted as major obstacles – all of which would be strong indications for considering an outsourced model. In fact according to a Forrester's 2008 Contact Center Technology Trends survey<sup>6</sup>, outsourcing is definitely on the rise for many of these reasons.

### ***The Added ROI of Contact Center Technology Outsourcing***

A separate 2008 Forrester whitepaper sites three major technology drivers as to why firms are now considering a managed services model that parallels what we are seeing in terms of outsourcing.<sup>7</sup> Personally, I can see many external service providers entering the managed services business, or providing a hybrid service offering, in order to capitalize on these trends.

- 1) Faster technology change will dictate higher fixed costs – The migration to all of these new, rapidly evolving technologies is putting tremendous pressure on companies to have to expand their IT staff, equipment and facilities – only to have them be replaced with no pay back.
- 2) The 10 year technology investment cycle will introduce greater risk and uncertainty in terms of technology selection and stability. As with the gradual adoption of the internet over the past 10 years, Forrester sees that late 2009 – 2017 will be the next wave of technology innovation and growth, over which companies will be investing in many of the new forms of technology (e.g. IP based solutions, video, mobile, UC, and multi-

modal). These solutions will need to be vetted, deployed and tested, before they can be integrated and digested into their current infrastructure, making outsourcing and managed services a more attractive option.

- 3) The “scary macro economic climate” will put further capital constraints on companies who still want to take advantage of the innovation and growth these technologies bring, but can't afford to make the investment. Outsourcing will also provide these companies access to a higher skilled workforce and more flexible operating model.

While every client's environment is different, there are ranges of expected cost improvement and or productivity/revenue gains that can be expected in an outsourced model and which are explicitly associated with the technology component. Net, net, the core additional ROI components and anticipated ranges of improvement are as follows:

- Reduced fixed cost salaries, benefits and overhead for technical support headcount :
  - Network & Telecom (e.g. IP, WAN, VPN, PBX, ACD, Wi-Fi)
  - IT infrastructure (e.g. Client Desktop, Servers, LAN, Storage)
  - Applications (e.g. WFM, CRM, Databases, Reporting)
  - Security ( e.g. Network, Infrastructure, Applications)
- Capital Outlay for new technology hardware
- Capital Outlay for new software, including maintenance and upgrades
- Increased self-service channel usage resulting in reduced cost per contact
- Increased agent productivity gains leading to reduced cost per contact
- Increased agent productivity gains, yielding increased revenue per contact

<sup>6</sup> Elizabeth Herrell, Forrester Research, Inc., “Contact Center Technology Trends – Emerging Technologies Emphasize the Customer”. Forrester Research, Inc. August 2008

<sup>7</sup> Henry Dewig, Forrester Research, Inc., “Market Overview: The Broad Opportunities in Managed Services”. Forrester Research, Inc., November 2008

Calculating the impact of these components for each client is highly variable, based on the type of business they are in, the specific application, to what degree they are using the vendor's technology, etc. And, establishing a baseline measurement prior to implementation is critical in order to adequately evaluate improvements in the areas identified by clients as their top priorities. Following is a case study from one of our most successful and longest standing clients, a major food products cataloger, which illustrates how technology, in an outsourced environment, can be used to achieve cost savings and higher performance levels.

In summary, outsource CSPs are in a unique position to implement new technologies which can benefit their clients. And, they can do so efficiently and effectively to best serve their customers. Clients evaluating their options should put them to the test.

## USA800 Case Study – Major Cataloger

### Background & Objectives

After 50 years of maintaining a strong stance against outsourcing their core inbound sales and customer service functions, a leading food and gift cataloger, awarded USA800 100% of their contact center operations work. Prior to that the client had only used outsourcers to handle their holiday season overflow activity, with limited success.

The client's primary goals were as follows:

- Build premium brand through providing exceptional service
- Manage peak calling activity within a two week window
- Manage at an 80% service level with abandons below 3%
- Lower overall costs through an aggressive variable cost structure
- Outsource all contact center activity to allow focus on marketing a premium brand
- Bring innovative solutions to the table which allow for additional program efficiencies



### Technology Solution

In addition to our normal staffing and implementation process set-up, we deployed an innovative, robust order management platform with multiple hooks into their real-time order and inventory management systems. It was required to support between 12-15 daily FTP transfers, 9 real-time web services calls and 150 unique XML and XSLT documents, which had to be custom built within our Contact Central desktop solution. The technology solution configuration that was put in place was designed to support the following requirements:

- |                            |                          |                                  |
|----------------------------|--------------------------|----------------------------------|
| - Sales Order Calls        | - Corporate Order Calls  | - Service Calls                  |
| - Email                    | - Off Live Activity      | - Live Chat                      |
| - Disaster Recovery        | - Web Portal Development | - eCRM Development & Integration |
| - XML Web Call Integration |                          |                                  |

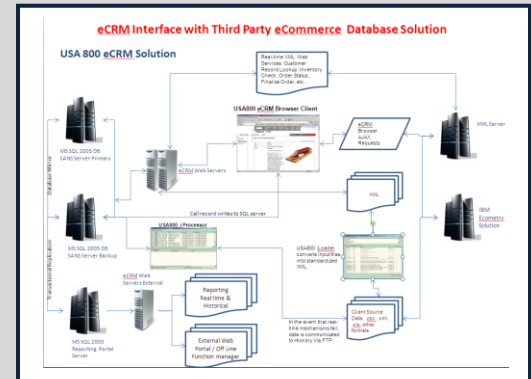
## USA800 Case Study – Major Cataloger (Con't)

### Results:

Within the first year of operations, USA800 has exceeded all of our client's performance and ROI expectations. In addition, USA800 was able to ramp quickly and consistently deliver high levels of performance and quality at peak business intervals.

Other efficiencies gained from our Contact Central deployment enabled us to reduce training time from 35 hours per agent to 4 hours, which significantly improved our ramp time and reduced cost by 15%, without impacting quality. Additionally, the intuitive, script driven platform lowered average handle time 12% over previous years resulting in additional cost savings and a better customer experience.

The cataloger estimates their entire cost savings prior to moving their operations to USA800 has been (15%) with improved performance levels on the top line of 42%



### Results Highlights

- Reduced costs by 15% and improved ramp time by using technology to reduce training time from 35 hours to 4 hours without impacting quality
- Reduced AHT by 12% further reducing costs and improving the customer experience.

## Tom's Top Tips for Contact Center Decision Makers Seeking to Outsource:

Given the nature of this paper, these tips are related to leveraging technology through a contact center outsourcer:

1. **Compare apples to apples** – Before you go shopping for vendors, inventory and benchmark your technology environment as it stands today. Catalog what technologies you have vs. where you have gaps. Identify what's working and what's not, as well as current costs. This will make it much easier for your supplier to develop and estimate their proposal, as well as provide realistic performance expectations.
2. **Be Prepared** – Create a separate plan and set of goals for your technology outsourcing objectives. Determine your performance expectations against each of the ROI measures discussed earlier in this paper.
3. **Look under the hood** – Ask for a formal review from your top supplier picks of their technology infrastructure, staffing model, and 3-5 year plan. Make sure it aligns with your business model and goals. Tour their operations and ask for current client case studies and references.
4. **Walk before you run** – Many clients have unrealistic expectations of performance and some of those are the fault of the vendor over committing in order to win the business. Work together to come up with a planned migration for your technology cut over and implementation. This will help allow for a smoother and higher quality transition.
5. **Keep an open mind** - Technology professionals are known for what I call "the not invented here syndrome". Let your chosen supplier show you their ingenuity and creativity with their design and proposed solution. Clients often want their suppliers to do only what they are told and consequently fail to take advantage of their outsourcing partner's most valuable asset – their people's expertise!

### About the Author:



**Tom Davis**  
**President and CEO**  
**USA800**

Tom has been in his role at USA800 for 12 years and has been with the company for a total of 17 years. Tom was principally responsible for developing USA800's ESOP offering and establishing its landmark position as the largest employee owned, contact center company, in the industry. Under his leadership the company has experienced double digit growth over the course of the last 10 years, while achieving record profitability.

Tom has a degree in political science and economics from Bucknell University and is an avid reader and follower of technology research and innovation. In his own words.....

*"Technology is only one element in the complex and sometimes overwhelming challenge of continuing to provide higher levels of service quality at a lower cost for our clients; it is however, an extremely important one that we at USA800 embraced early on and believe has made a tremendous difference not only in our clients' bottom line, but more importantly, for their customers' experience."*

### About USA800

USA800, Inc. is a 100% employee-owned, inbound customer care center which employs 800+ employee owners at its three contact center locations (Kansas City, Missouri, St Joseph, Missouri and Halstead, Kansas). USA800 has been named as one of the Top 50 Inbound Call Centers by Customer Interaction Magazine. The three Midwest call centers are comprised of 900+ multi-media workstations. For more than 30 years, USA800 has been providing inbound sales, customer care and technical support functions. USA800 serves a cross section of industries including: Catalog, Consumer Goods, Communications, Financial Services, Government, Healthcare, Insurance, Travel & Leisure, and Not for Profit. For more information, go to [www.usa800.com](http://www.usa800.com).



