The Henley Centre for Customer Management

HENLEY
UNIVERSITY OF READING

Outsourcing

Peter Mouncey, Dr Moira Clark

20th September, 2005

This report was produced during 2005 when the Research Forum was directed by Dr Moira Clark in association with the Cranfield School of Management.

Table of Contents

1. Introduction

The objective of this paper is to discuss the role for outsourcing within CRM strategy and identify the issues that organisations need to consider when deciding whether or not this is appropriate. The paper focuses in particular on outsourcing call centre activities as this has emerged as a key topic of interest to CRM Research Forum members.

The paper is divided into the following sections:

- Outsourcing: definition and background
- Outsourcing CRM: some key considerations
- Outsourcing CRM: the rise of the ASP solution
- Outsourcing call centres
- Outsourcing call centres off-shore: a risk too far?
- A future for call centres?
- A future for outsourcing CRM?

The content is based on:

- Existing papers, reports, research etc – published and unpublished sources;
- Two group discussions conducted with members of the Research Forum;
- An interview with a senior manager within IBM responsible for CRM outsourcing solutions.

2. Outsourcing: definition and background

Outsourcing occurs where an organisation has decided to contract-out business activities or processes to a third party. The decision to do this might be based on one or more of the following factors:

- An opportunity to save costs and investment in infrastructure compared with undertaking the activity within the company;
- Increase the focus on the core business by eliminating activities not considered as ‘core’ to the overall purpose of the business, or not seen as covering core competences essential to the business;
- Taking advantage of superior skills/resources or expertise offered by a specialist third party compared to those within the organisation;
- Gaining access to new innovations (e.g. digital services);
- An opportunity to harness the economies of scale offered by a specialist third party;
- Creating increased operational flexibility by being able to raise/lower resources to match demand cycles (creating a ‘variable’ cost structure);
- Provision of 24/7 service;
- Providing a holistic, integrated solution;
- Gaining access to lower cost or higher quality resources located in geographic areas outside the organisations market place or operational base;
- De-risking the investment in technology;
- Enable scarce internal resources to be more effectively deployed;
- Enabling an organisation to benefit from the experience gained by a third party through working with a broad range of other organisations – within a particular sector or across a wide range of sectors;
- Transforming a business activity by harnessing the expertise of a specialist;
- Fast-tracking the development of a new business stream at minimum risk;
- Short-term need for additional resources (e.g. service the demand created by a marketing campaign).

The prime difference between outsourcing and other supplier/partnership arrangements is that ‘outsourcing’ implies that the activity is one that has been, or could be, conducted within the structure of the organisation but the decision has been taken to have this activity delivered through a third party. In certain cases, staff from the third party will either work on the organisations premises or act as if they are employees of that organisation. In many cases, where an existing activity is outsourced, some or all of the employees working in this area of the organisation are transferred to the third party.

Early out-sourcing arrangements covered facilities management. Key business activities that are increasingly becoming subjects of outsourcing include IT, human resources, and call-centres. Local authorities have outsourced many traditional services due to government policies to bring greater efficiency to the public sector. Banks have outsourced their ATM networks leading to charges being levied by the new operators on users. In one interesting reversal, the Royal Bank of Scotland sold its ATM network to a third party but has recently bought this company as a new profit stream.

Examples of outsourcing include:

- Customer database management and analysis (e.g. Tesco Clubcard to Dunn Humby);
- Contact centre operation and management (e.g. Virgin Trains The Trainline service to Cap Gemini);
- Administration activities (e.g. West Berkshire local authority to Amey);
- Refuse collection & disposal (e.g. West Berkshire local authority to Biffa);
- Airport terminal check-in and other airline related activities (e.g. Easyjet to Serviceair, Menzies etc);
- Personnel/human resource management/administration (e.g. BT to Accenture);
- IT infrastructure/services/support (e.g. AXA UK Life and Pensions systems to Xansa – finextra.com 04-05-05);
- ONS proposal (June 2005) to outsource to Siemens Business Services the development and maintenance of a 250m. digitised database of all births, deaths and marriages for England and Wales since 1837, with most of the work being undertaken in Madras.

The following two examples illustrate that organisations operating within the same market sector can have very different outsource strategies. Both examples also underline the impact on outsourcing strategies related to the sale and acquisition of companies. The first follows the sale in 2004 of the AA by Centrica to CVC Capital Partners and Permira. The AA has now signed a seven year deal with IBM worth £50m with 120 IT staff being transferred under TUPE regulations from Centrica - half going to IBM and half to the AA with a complete handover to IBM from Centrica due to be completed by the end of 2005 (Personneltoday.com, 24-02-05). As described in Section 5 of this report, the AA has also announced that although it will continue to consolidate its call centres, it will not be transferring any operations off-shore, despite the additional cost savings that this could achieve. In comparison, the RAC, currently being acquired by Aviva, has announced that some of its software development will be outsourced to India, with redundancies amongst UK staff. Aviva have also announced that some RAC call centre activities may be re-located to Aviva's outsourced centres, also located in India. In total, 800 UK based jobs in the RAC are at risk.

Contracts can be huge – the recently announced BT/Accenture deal is for ten years and worth £306m (HRM Guide.co.uk, 02-02-05). It covers BT needs throughout the world. Outsourcing specialists can be a major and well established force in particular sectors. For example, Serviceair provides services to many competing airlines, and in many countries. They can also be long term. For example, following the Jamie Oliver exposé of poor standards in state school meals, it has emerged that many schools are bound to twenty five year contracts with specialist suppliers of school meals services making it difficult to increase the spend or quality per pupil head.

A leading outsource provider believes businesses need to consider dividing their activities into *core competencies* – which should be their future internal focus, and *core functions*. The latter are still essential to the running of the business but could be run more effectively by specialist outsource partners. For example, BT see the customer experience as a core competence needing to be managed within the business, whereas certain aspects of human resources are core functions that can be outsourced, to Accenture, as described above.

A further development that is creating new opportunities for organisations to consider outsourcing as a possibility is process standardisation. According to Thomas H. Davenport writing in the Harvard Business Review (June 2005), process standards could revolutionise how businesses work by enabling them to identify whether or not they could achieve better value – either by saving money or through better performance – by outsourcing to certified specialists. It makes it easier to decide what is really core and what can be outsourced. As Davenport states, if organisations cannot certify their internal capabilities as world class what value do they deliver to customers in today's competitive world? Specialists in undertaking a particular process will in turn then become experts in assisting their clients through insights and innovations to make these processes work even better in their specific environments. Innovation is becoming increasingly used by clients as a measure of performance for external providers. According to Davenport, standardisation will also lead to increased collaboration amongst competitors, for example in accounting processes. Finally, if an organisation can certify its processes as world class, this opens up the opportunity to develop these as a new business opportunity by acting as an outsource supplier for others.

In the context of CRM, the most common examples cover contact centres, customer database management and other specialist IT products/services. In some cases, organisations may want to outsource contact-management to defined customer segments – either to deliver higher value to 'top-end' customers, or to minimise cost-to-serve for low value customers. One trend in recent years has been the increasing use of 'application service providers' (ASP) in the CRM software field (see section 3).

3. Outsourcing CRM: some key considerations

This section reviews key factors that organisations need to consider when considering outsourced solutions to support CRM strategy.

According to an IBM spokesman, the current CRM outsource market splits into business process outsourcing (BPO), accounting for 90%, and business transformation outsourcing (BTO) accounting for the remaining 10%. The BPO sector is characterised by slow growth (0-5%), lower value projects covering shorter time frames, and with many competing providers.

In comparison to BPO, the BTO sector is growing rapidly (20-30% pa) with much larger projects and longer contracts (over five years). BTO contracts increasingly cover the whole function outsourced on a usage, risk and reward basis – off-loading risk to the supplier and effectively giving them part of their business to run, thereby providing more attractive benefits to both parties. The barriers to entry into the BTO sector are therefore higher with fewer competitors. A BPO example might be to consolidate a global automotive manufacturer's call centres to reduce operational costs and increase efficiency. In comparison, a BTO contract for the same company might be to re-think the whole warranty and after sales service process with an agreed target to reduce the drain on total turnover from 6% to 3% - transforming the whole operation. This would be on a gain/share contract with the client.

Savings through BPO are generally achieved in three ways:

- Reducing payroll costs as a percentage of overall operating expenses, for example, by moving a call centre to a lower cost location;
- Reduce the cost of delivering customer service by introducing lower cost channels (e.g. self-service through the internet);
- Consolidation of infrastructure (e.g. amalgamating call centres).

The initial emphasis is on reducing costs and increasing flexibility through identifying consolidation opportunities and possibly moving all or part of the operation to a low cost location (e.g. India).

In comparison BTO represents a fundamental change – a complete re-think of the business process. The most attractive BTO opportunities are those where a business will fail unless it is transformed – the 'burning (oil) platform' scenario ('do I stay and fight the fire, or jump in the sea in the hope of being rescued?'). The decisions are difficult and risky, but offering potentially big opportunities for both parties to share.

Often with BTO projects there is a major emotional dimension within the decision to outsource: 'You are going to look after ***my*** customers?'

The basis for a CRM BTO project business case is complex and at three levels, in the following order of importance:

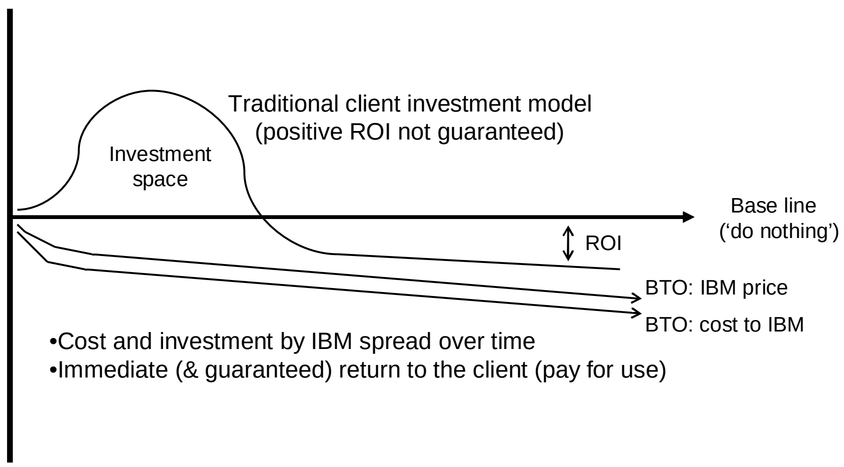
- Improving customer service;
- Increasing revenue;
- Reducing costs.

However, though reducing costs maybe the third most important criteria, the deal will not be closed unless there is a cost reduction element within the overall proposal. For example, in the IBM model shown below (Figure 1), this is achieved from day one by charging on a per contact/call/transaction.

The initial request, or invitation to tender, from a perspective client is often about cost reduction but ends with a realisation that the real objective should be a comprehensive re-structuring of the business activity or process . However, BTO requires a brave client and a highly experienced partner. Businesses tend to often sell poorly performing units whereas a BTO with the right partner could provide a more attractive solution as the outcome is a long-term future profit stream rather than a one off in-flow of cash from the sale.

The IBM BTO business model (Figure 1), compares the outsourced solution with the situation where the client makes the investment:

IBM: Business Transformation outsourcing model



The business case is built around the needs of all stakeholders, not just round the needs of the client - and must be proven to deliver benefits for all. As described before and illustrated in the above diagram, the client achieves savings from day one due to the on-demand, pay for use pricing at the heart of the model. Investment and operational costs are spread over the life of the contract underpinned by enhanced operational efficiencies achieved through the BTO model. The client no longer has to bear the cost of capital, the inefficiency associated with an in-house call centre and the risk that the projected ROI will not be achieved.

IBM use a component based business model (CBM) to identify activities/processes that could be outsourced and those that should remain in house. These 'best practice' based models have been developed for different sectors and map out how an organisation functions and identifies what is/is not core. This process enables the best opportunities for BTO to be identified. In addition, IBM undertakes detailed due-diligence to understand how a business operates and identify the costs. This often identifies that the real cost of running the business is higher than the client's own view. BTO projects are implemented using an established IBM process covering transition, transformation (several stages) and operation. Six Sigma processes are a pre-requisite in all IBM outsourcing projects.

Outsourcing of customer service acts primarily as an agent of change, rather than simply a way to reduce costs. It is also a move from fixed to variable costing for the client. For example, the client now only pays for the number of calls actually handled, rather than paying the fixed costs for running a call centre (as shown above in the IDM BTO model).

Some organisations see outsourcing as a way to develop a new 'green-field' CRM based venture with the outsource supplier as a partner to share the risk or to help de-risk new business models. An example might be a bank wishing to use its CRM capabilities to launch a wealth management division. This would require a new business model and the need to minimise the risk associated with entering a new market.

'Best practice' performance measurement in outsourced CRM projects should focus on a small number of key metrics (top 6) that are highly visible and include ones identified as critical by the supplier that they can influence through the project. For example, whilst IBM does not recommend the inclusion of 'soft' metrics in measuring the contractual performance of the supplier, they view customer satisfaction as a core KPI within service level agreements - measured by a third party using objective and accredited methodologies. Brand performance is not seen as an effective measure for contract performance, although this may well be measured by the client for other reasons, for example to ensure customer service standards reflect the brand promise.

A survey commissioned by BT from IDL (IDL/BT survey, 2005) on outsourcing IT identifies likely trends within 2005 and highlights CRM as a key area for substantial growth. Only 11% of organisations in the survey had outsourced CRM systems, but a further 22% were thinking of doing this within 2005. This growth rate was only exceeded by one other, and potentially linked, area that of data/information management where 26% had already outsourced some or all of these activities with a further 26% claiming it to be under consideration. The third area of substantial growth was in the convergence of fixed and mobile voice services (30% current, 19% under consideration).

Benefits claimed by respondents from outsourcing identified issues to do with cost reduction as the primary factor (51%), compared with 16% mentioning factors to do with service improvements and 9% believing that this freed up critical resources. However, when asked what benefits were derived via the outsource partner, factors such as buying power (47%), access to high quality support services (44%) and 'state-of-the-art' technology (42%) emerged as the key factors.

Importantly, organisations were also asked to respond to a range of positive and negative statements concerning outsourcing. This provided a more mixed picture. Nearly half thought that 'outsourcing agreements involve excessive loss of control' (44%) and despite cost saving being cited as a key benefit, only 37% then felt that 'the organisation outsourced to reduce costs' as an accurate reflection of their company's strategy. In addition, many organisations may not be too sure as to what they are actually achieving through outsourcing as only 26% agreed highly that 'outsourcing delivers a measurable ROI'. Based on this confused picture, the author of the report poses a key question for readers:

'Is the problem one of naïve expectation on the side of the users or are outsource vendors just too good at pulling the wool over customers' eyes through impenetrable contracts and confusing pricing structures'.

The report also questions the basis used by organisations when judging the outcomes in terms of cost reductions. In the initial year there is the opportunity to compare previous with current year – this can be an adequate position, provided that correct assumptions are defined. However, from then on the forecasts are all based on estimates and it therefore becomes increasingly difficult to assess the real picture and nail down the achieved ROI over a reasonable period of time, say 3/5 years. So, a clear message is to ensure that what constitutes 'costs' are fully understood and that effective metrics are identified. One suggested step would be to benchmark the baseline costs against the industry norm and then identify if outsourcing would provide a realistic and worthwhile saving and if this indicates a favourable position for outsourcing, then track the comparison over the period of the contract.

A further issue addressed in the survey is the management of outsourcing contracts. Commentators in the USA are expressing concern about the extent to which organisations are discovering hidden costs and political uncertainty – particularly in contracts involving overseas outsourcing (CRM-daily.com, 04-05-05). For example, the Gartner group point out that there will need to be sufficient resource in place to develop the outsourcing model and then to manage the relationship throughout the life of the contract – these costs are often underestimated or ignored in the overall project plan.. According to the IDL research, those organisations that have successfully adopted outsourcing have invested 10% of the contract value in managing the overall relationship. However, organisations within their survey had tended to invest well below this level – 40% had invested less than 5% of the value & a further 31% had invested between 5-10%.

The report also advises organisations to consider the competencies necessary to running an outsourcing arrangement as they are often very different than those essential to managing internal resources. Unless the right skills/experiences are in place at the outset, and maintained, then the net result will be a steady deterioration in the outcome.

In conclusion, the report offers the following advice to those considering an outsourced solution:

- Develop a thorough understanding of the current financial situation through audits, benchmarking, interviews and other analysis tools;
- Apply a similar process to judging the quality and structure of the service being delivered;
- Undertake a thorough analysis of all available data on judge the outcome over the next five years;
- Obviously, select a partner with high levels of appropriate expertise – but, ensure that both parties work together develop the cost base and service models and agree an overall approach that is fully transparent;
- Build realistic models that enable alternative cost/service scenarios to be developed that could achieve the desired business objectives;
- Jointly agree a picture of the total feasible opportunities for improvement;
- If an outsourcing solution is selected as the way forward, then produce transition plans at three levels of cost – best, likely & worst scenarios;

- Agree how the overall benefits will be shared (a client's share needs to be a minimum of 20% to allow for contracting costs and internal rate of return). Overall, a 40% potential value must be found to make it worthwhile;
- Agree a simple contract to meet the agreed service and financial benefits.

Other points that should be considered include:

- Ensure that the project team are adequately empowered;
- Clearly define the objectives, benefits, services/service levels and performance measures required – and ensure these are agreed before the contract is signed;
- Ensure that the contract works for both parties;
- Don't think that a currently messy internal operation will be miraculously transformed simply through outsourcing;
- Make provision for termination or expiry so that services can be brought back in house or transferred to another third party;
- Ensure that there are adequate HR strategies in place to deal with the internal 'people' issues resulting from outsourcing – stress and uncertainty lead to reduced productivity and an increased error rate (Financial World, April 2003);
- Ensure that any TUPE implications are addressed if staff are being transferred to a third party as part of the outsourced arrangement.

A further issue is the transfer of personal data and the need to ensure that contracts meet the requirements of the 1998 Data Protection Act – this could apply to transfers to third parties in the UK without adequate controls (e.g. allowing third parties to use customer data without the permission of the data subjects) or failing to ensure that there is either a written contract with off-shore data processors or contracts that meet the requirements of the Act if the third party abroad has any rights to use the data in any way other than directly for the UK based data controller. However, a contrary view is that the concerns raised by groups such as trade unions about data security issues in countries such as India and South Africa are more about protecting the jobs of their members in the UK (Privacy Laws & Business, May 2004). Others see leading off-shore operators as providing data security that equals the level found within Europe. One concern is that termination clauses do not give sufficient attention to residual data privacy issues, such as ensuring personal data is either returned or destroyed.

A concern, raised by a member of the CRM Research Forum, is that the outsourcer's performance is subject to often erroneous evaluation by the end user, an example of the Fundamental Attribution Error concept – the tendency to assume that what a person does is based more on what 'kind' of person they are, rather than the social and environmental forces at work on that person (absoluteastromony.com). In the case of CRM, an example would be the call centre agent in an outsourced arrangement being blamed for poor customer service when the true responsibility lay within the contractual conditions imposed on their organisation by the client.

So, overall it is not surprising that according to the IDC survey described earlier, around 30% of outsourcing projects fail, mainly due to false assumptions, poorly specified requirements, poor business plans and false expectations by both parties.

One member of the CRM Research Forum commented that lessons they had learned from outsourcing were firstly, to ensure that there is a common ethics/culture with the outsource supplier; secondly, the need to understand the differentiation that your organisation has in the market and ensure that this is applied in the outsourcing arrangement; thirdly, identifying the true cost of the in-house operation. According to another Forum member, outsourcing decisions also need to balance cost against service standards and the overall risks within the value chain.

IBM advise that meticulous planning lies at the heart of a successful outsourcing project. Allied to this is the need for absolute transparency and a genuine desire by the client to work in a true partnership with the supplier – to remove any possibility of a 'them and us' attitude. As described above, metrics should be kept to minimum and jointly agreed. Contracts and plans need to be developed from a pragmatic perspective with an appropriate degree of flexibility to deal with unforeseen eventualities.

Finally, outsource suppliers may find that their main competitor is in fact the in-house team, rather than another external provider.

4. Outsourcing CRM: the rise of the ASP solution

A key trend is the outsourcing of CRM technology to application service providers (ASP) – as described by Wendy Hewson (Interactive Marketing, January/March 2002). An ASP provides the user organisation with real-time access through a web browser to CRM software on a rental basis, managed centrally on a real-time on line basis. The technology is shared by several users. The key advantage to the client is that it avoids the costs and issues relating to the purchasing, implementation, maintenance/support and upgrades of complex software. In essence this represents a logical extension to the bureaux services used to support database marketing in the 1970/80s. Client-server technology has facilitated the real-time direct access to the external programmes enabling the client organisation to control the process instead of leaving that to the third party. Other advances, such as high speed data transfer and broadband have speeded up communication.

There are two types of ASP CRM solutions. The 'one-to-many' solution has developed from the initial 'one-size-fits-all' products, and although it can deliver a rapidly implemented and scalable 'point' solution, they provides lower levels of customisation and poor integration with other client systems. However, the overall trend within the market is to integrate back-office and front-office systems and therefore organisations increasingly demand ASP solutions that can be customised to meet their individual business application needs and be a core part of an integrated solution. This is particularly important within CRM applications as organisations recognise that true commitment to CRM is a pan-enterprise issue, rather than a single 'point' solution. In particular, organisations are recognising the need to integrate their e commerce activities with other business processes and communication/sales channels in order to ensure that this channel is effective.

Early experience indicates that 'one-to-one' ASP solutions can be quickly implemented by organisations to support web, mail and phone-based contact centres. This is particularly appealing to smaller organisations, especially those that are internet based, or do not have an established IT network.

The ASP CRM market has been slow to develop. Cost savings have not been as easy to prove as expected, training periods are often protracted and there are concerns about data security. Some suppliers have focussed on the data security concerns and developed expertise and processes that match or exceed those available within the client organisation. And as with database bureau services, the clients needs are met through state-of-the-art software and data quality can often be maintained at a higher standard compared to in-house.

5. Outsourcing call centres

According to research conducted by the UK Citizen's Advice Bureau (CAB) in July 2004 as reported by CM Insight and Baker MacKenzie (Bousfield, Fielding, McKean and Reid-Thomas, 2004), 97% of those in the survey who had used a call centre within the previous twelve months were critical of the experience. Key reasons were being kept on hold (40%), complicated menu options (25%), unable to speak to someone directly (18%), having to use an automated response system (17%), being passed from pillar to post (17%). For some, the problems did not end when they finally got through to a person - in 13% of cases the reason for the call could not be solved when they finally got through and 11% thought that staff were unprofessional and inefficient.

These are issues that can afflict all call centres, but does outsourcing have any impact on the situation – positive or negative? According to the same report, in many cases outsourcing could well be a contributory factor as the measures and incentives required in achieving the contractual requirements imposed by the client are in direct conflict with the attributes of a good conversation. This is an issue that has only recently been understood. Traditional measures such as percentage of calls handled and average time to answer are key metrics in managing a call centre, but these need to be balanced by other metrics which help to objectively measure the quality and success of the customer experience.

Also, according to a DTI commissioned study (DTI, 2004), around 30% of call centre outsourcing contracts fail – two key contributory factors being the lack of alignment between the organisation and the provider in terms of service expectations and a failure to capture the key requirements in the contract. Despite these factors being to do with inappropriate 'buyer-seller' relationships, this failure rate has damaged the image of outsourcing within the business community.

However despite these negative views, call, or contact, centres have become a key area for outsourcing in recent years. Whist the media have tended to cover the emotive issue of outsourcing call handling overseas, many UK organisations have outsourced their call handling needs within the UK for many years. This has been for:

- Special short-term 'one-off' projects such as 'helplines' set up to cover demutualization/sale an organisation or handling advertising campaign responses. These have enabled in-house call centres to continue focussing on their primary purpose (e.g. customer service);
- Handling calls for a specific long term activity either where specialist skills are needed or where no specific specialism is necessary;
- Handling all calls where call handling is not viewed as a core competence for the organisation;
- Extending the service 'window' by transferring out of hours calls to a centre within another time-zone ('follow the sun').

Therefore, outsourcing should be viewed at two levels:

- The principle of outsourcing some or all call centre needs, but to sites within the geographic boundaries of the UK;

- Outsourcing to another geographic region, primarily to achieve cost savings – either to provide economies of scale through a regional/global 24/7 facility or to locate facilities in a low cost area such as the Indian sub-continent.

The argument has been advanced that call centres fail to either meet the requirements of management (they are viewed as an expensive overhead rather than a contributor towards profit and their value as a key influence on customer retention is ignored) or the needs of callers (long waits, inadequate service, the use of menu systems and the perceived excessive use of security checks etc). Call centres (in-house facilities or outsource contracts) are usually managed at a relatively low level within the company hierarchy and feedback from callers rarely reaches the eyes of senior management. By their very nature centres are not seen as a key step on the management career ladder In addition, they are tightly managed through technology that often focuses on productivity measures rather than customer service and tend to have high levels of staff attrition. In addition, inadequate processes or process failures in other parts of the business lead to high levels of unnecessary calls, often from irritated customers, that may also be outside the standard training received by the agents. For example, web sites that do not provide sufficient information or do not function efficiently lead to customer service calls, as do promises made to customers by other staff that have not been kept etc, etc. Often, the decision about whether a current call centre is cost effective or not is taken in isolation without considering these other factors. The net result is that the root causes that lead to high operating costs, unhappy staff and low customer satisfaction ratings are not addressed when the decision is taken to outsource call handling abroad – the grief for all remains, but is simply handled at a lower cost than in the UK! Organisations need to a take a holistic view of the call centre and its role within the organisation.

Also emerging is a trend towards charging callers at above base tariff rates for all calls, whether or not the reason for the call is due to a failed process, or whether the centre is now operating from a low cost location rather than in the UK.

Based on reports from Mintel (April, 2005), DTI (May, 2004), CM insight (August 2002, May/November 2004), Ofcom web site (Ofcom.org.uk) and Database Marketing (July/August 2005), positive factors in the current development of call centres include:

- It is an economic sector with forecast sustained growth – the number of UK centres rising by around 5% per year. By 2007 there are likely to be around 7,000 call centres in the UK with 470,000 agent positions employing nearly 3% of the workforce. Agencies share of this market will be 14%;
- Sites are shrinking in size. Smaller centres, with 10-30 agent positions, account for around 50% of all centres and is the fastest growing sector;
- A more mature industry is leading to increased levels of outsourcing and partnership. Outsourcing is fast growing and forecast to account for 15% of all agent positions by 2007;
- Centres based purely around the telephone channel are expected to decline, whilst multi-media sites in the UK, although accounting for a relatively small proportion of current centres, are forecast to rapidly grow (25% of all sites by 2007) as call centres increasingly provide support for on-line channels;
- The largest users of call centres are financial services, manufacturing and telecommunications; The fastest growing sectors are public services and healthcare;

- A new EU charter covering call centre employment published in 2004 to encourage improved working conditions and practices to address the ‘sweatshop’ image.

Negative factors include:

- The overall image by all stakeholders – customers don’t like them, employees do not see this as a real job/career opportunity, management find them a hassle to manage and boards fail to see them as value generators and want to minimise the cost;
- Failure of organisations to gain success from their CRM strategy despite these technologies remaining a high growth sector;
- The extent of ‘telephobia’ (12% of the population);
- Attitudes to ‘cold’ & ‘silent’ calling by the public and Ofcom (increasing the registrations with the Telepreference service and feeding high levels of ex-directory numbers). For example, Kitchens Direct is currently in Ofcom’s firing line as at the current DMA guideline target of no more than 5% of all calls being silent ones, KD generates 10,000 silent calls per day – a level deemed unacceptable;
- The impersonal service experienced by callers and the dislike of IVR/automated menus;
- Expectations not being met. Customers increasingly want, and expect, choice in contact channels, simple technology, joined up thinking and staff that care.

A new report from Accenture, based on research conducted amongst consumers in the USA and the UK (Accenture, July 26th, 2005), found that 49% of respondents had changed service providers (for the cross section of service industries covered in the survey) in the past year due to poor customer service. In addition, 62% felt the overall level of service had shown no significant improvements in recent years. More than half of those interviewed described the typical customer service experience as driving in slow city traffic that also required them to take many alternative routes to reach a destination, with only 13% liking it to finding a short cut to avoid a traffic jam. Key frustrations expressed by respondents focussed on being kept on hold too long (78%) and having to repeat information to multiple service representatives (75%). On average, respondents spent six minutes on hold and spoke to 2.6 representatives before the reason for their call was resolved. Commenting on the findings, John Freeland the global managing partner of Accenture’s CRM practice, identified winning companies as those that ‘strike the right balance between using technology to help reduce costs and streamlining the customer experience with well-considered processes that contribute to more personalised services’.

Data from Mintel (April, 2005) shows a steady increase in the level of outsourcing *within* the UK, growing from 7% of all agent places in 2000 to 10% (over 52,200 places) by the end of last year and this growth has been higher than in non outsourced centres. Mintel see continued substantial growth in the outsource sector, forecasting nearly 95,000 agent places by 2009 (14% of all places) – an increase of 70% compared to 25% growth for in-house positions. The rapid rate of change in call centre IT has increased the perceived risk for investing in in-house centres, especially with the rise of value-added providers who are continually investing in leading edge technology. The improved technology, in addition to the prospect of lower costs, has helped de-risk the move to off-shore outsourcing.

Those against outsourcing believe that the focus on the customer is greater where call centres remain in house, whereas out-sourced centres are more focussed on tangible, quantitative and productivity based measures of success. However, this could be due to the nature of the contract. In comparison, external providers can point to state-of-the-art technology, focussed core competencies and dedicated skill sets, advanced training, an emphasis on cost reduction and specialist services where required. Overall, outsourcing should be invisible to the caller.

There is evidence that some companies switch over time between internal and external provision depending on prevailing business priorities. Outsourcing is viewed as being less attractive where provision is needed long term. However, the decision is often based on cost grounds and some USA companies are expressing growing dissatisfaction with outsourcing (CRMdaily). Companies have tended to opt for lowest cost suppliers through tendering and the resulting level of service to callers is eventually seen as being in opposition to any value-added strategies that the company claims to be offering to customers. The problem is then 'resolved' by taking the operation back in-house rather than seeking a better balance between costs and service through a third party.

Outsourcing models for call centres cover:

- Total outsourcing: third party does everything and on their own site;
- Selective outsourcing: client and third party contribute complimentary expertise;
- Selective outsourcing: third party manages in-house centre or provides the infrastructure but not the employees;
- Alliances: sharing resources with a complimentary organisation;
- Joint venture partnering and co-sourcing.

Finally, as mentioned at the beginning of this section, outsourcing is believed by some to lead to increased problems in measuring the value-adding role of call centres as the controlling metrics are much more likely to be focussed on cost and productivity issues rather then on service delivery. Whilst according to the results of one survey conducted by an industry expert few organisations would be prepared to state that their sole aim through outsourcing was to reduce costs, in reality this is the only justification for action that is taken seriously (Bousfield, 2003). According to John Reindorp of Merchants (Database Marketing, July/August 2005) the longer a business has been using outsourcing, the less likely they become to buy on price. Reindorp cites a linear relationship between improved customer satisfaction and customer retention. One factor is that cost and productivity issues are easier to measure compared with the 'soft' factors relating to the customer experience – and the difficulties of translating these into financial impact. In addition, these tend to be longer term measures, associated with concepts such as customer life time value, with little impact in the short term. The damage is also caused by focussing on process rather than the need to converse. To try and address the potential in-balance, one solution called Performance Insight™, developed by CM Insight, uses standards and techniques developed in the behavioural sciences to evaluate the performance within a call centre as part of the core incentive measurement structure. The following matrix provides an example based on a travel industry scenario:

	Percentage of calls answered	Call accuracy (mystery shopping)	Performance Insight™ rating
Weighting	33.33%	33.33%	33.33%
Target	X% of calls answered	Y% overall accuracy	Z points
Failure to meet target	No profit for this service. Service Credits apply	No profit for this service level. Service Credits apply	Reduced profits
Exceeding the target	Increased profit	Increased profit	Increased profit

(Bousefield, Fielding, McKean & Reid Thomas, 2004)

This simple matrix can be applied quarterly, covering the fixed and variable costs for that period. As can be seen it has a direct impact on the profitability of the contract to the provider. The target scores for the Performance Insight™ can be increased over the life of the contract in order to drive continuous improvement in the customer experience with associated additional opportunities for the provider to increase their profits. Performance Insight™ applies the components of good conversation to a call centre operational environment:

- **Speaking activity**: the skill of speaking appropriately to the needs of the conversation;
- **Listening activity**: acknowledge, support, encourage and guide the caller;
- **Interpretive understanding**: thinking about and understanding what the caller is communicating (implicitly and explicitly);
- **Adaptive competence**: identifying the appropriate response;
- **Task competence**: knowledge about products and systems;
- **Communicative assurance**: instilling a sense of assurance in the caller that the agreed action will happen;
- **Emotional competence**: responding appropriately to the emotional state of the caller;
- **Role-relationship competence**: appropriate to the task and situation and the defined relationship desired with callers;
- **'Rewardingness'**: encouraging participation in the conversation and making the caller feel valued;
- **Cultural competence**: politeness appropriate to the caller's culture and demographic profile.

These factors might also be reflective of a clients brand image.

A recent article on outsourcing call centres (Database Marketing, July/August 2005) echoes some of these issues. For example, clients who want a standard 'lift and shift' model where the agency is required to 'clone' the existing in house operation, but at lower cost, or, clients who focus on volume related objectives rather than on the brand experience and the outcomes for the customer. The plea is to allow the agency to use their expertise to 're-engineer' the overall operation. Clients, however, are also accused of not fully checking out the capabilities of agencies through live tests or talking to existing clients before signing the contract..

Examples of best practice organisations that take the point of contact seriously include BT, Lexus and Virgin. BT has a five point customer contact compliance model that is applied to all its call centres – including those operated on behalf of their customers, and those located offshore.

6. Outsourcing call centres off-shore: a risk too far?

The key reason for off-shore outsourcing is lower labour rate costs. Mark Wood, CEO of Prudential's UK business, estimates that the proposed transfer of 1,000 call centre jobs from Reading to Mumbai (delayed due to protracted negotiations with the trade union) will save at least £16m. (Financial World, January, 2003) However, there are the added attractions that this lower cost operation is then delivered by a more motivated workforce and enthusiastic management. The following quote by Sir Keith Whitson from HSBC in the same article referring to Indian call centre staff underlines the point:

'…..quick at answering the 'phone, highly numerate and keen to come to work every day. They are hugely enthusiastic about their jobs and the quality of their work is exceptionally high.'

However, both the organisations quoted here already have well established business operations in this part of the world and therefore also have the confidence to move large customer service centres into this geographic region.

Currently a call centre can be located in India for a cost saving of 30% - the average agent wage in the UK is £14,000 compared to £3,000; property is 50% the UK rate. Recent well publicised examples of outsourcing arrangements from the UK to India include:

Organisation	Year	Jobs
JP Morgan Chase	2001	3000
Capital One	2002	1200
Standard Chartered Bank	2002	4500
BT	2003	2000
HSBC	2003	4000
Lloyds TSB	2003	1000
National Rail Enquiries	2003	600
Aviva	2003	2350
Prudential	2003	1000
Abbey	2004	400

(Source: primarily Mintel, 2005)

India currently remains the favoured off-shore geographic area and by 2008 the value of this sector to their economy is likely to have reached £2.8 bn. Other growing markets are the Czech Republic, South Africa and the Philippines. The point has been made that UK call centres suffer from high-churn, low pay and do not attract high calibre staff. In comparison, call centre employment is viewed in India as being a high status job, with good pay (relative to other work) and other incentives, excellent working conditions (in comparison to other environments) and attracting highly educated people (as there is a more defined, and highly respected career path in this sector) with a low staff churn rate.

The attention to security within an Indian data processing centre can create an unfamiliar work environment compared to the UK. For example, according to one article referring to

Lloyds TSB (PL&B International Newsletter, June/July 2005), local staff have lockers within which they must deposit all their personal belongings (including mobile ‘phones) before entering the office. Offices are equipped with devices to detect mobile ‘phones and are patrolled by uniformed security guards who also search staff when they enter or leave the work areas. Other advice in the article is to ensure that data moved physically between local sites travels in a secure medium, and not to be become complacent about compliance over time.

There are risks to this strategy. The issue of data transfer, in particular personal data, has already been discussed. Other concerns are to do with:

- Potential fraud (probably no more an issue than in the UK judging from the recent cases covering stolen cheque books and staff in call centres passing data to other criminals for identity fraud purposes),
- Employment legislation that could undermine flexibility (India’s Industrial Disputes Act 1947),
- Political instability and/or the threat of terrorist activity (possible, leading to a strategy of dispersed centres),
- Possible changes in fiscal policy in the selected countries such as tax increases,
- Other local legislation,
- Weak infrastructure,
- Growing GDP and its impact on costs (as has happened in the Republic of Ireland),
- Eventual shortages of skilled staff and managers (as in the UK, but not viewed as a short/medium term concern in countries such as India with an increasing flow of new graduates),
- Immaturity of available employees in terms of complex products (already an issue that has led some companies to move operations elsewhere),
- Cultural dissonance and linguistic issues (e.g. English accent and multi-lingual capabilities),
- Consumer resistance due to data security, service quality or publicity about UK job losses (see below for more detail on consumers’ views).

Overall, the current view by senior market analysts is that outsourcing off-shore to low cost regions will have a beneficial impact on share values – the key test is maintaining the fine balance between saving costs and serving customers. The FSA (Financial World, January 2003) says that such moves are not an issue provided that all legislative and regulatory requirements are responsibly addressed. However, a counter view is that the EU Directive on Data Protection provides higher standards of security than that found in countries such as India - on 6th June there were allegations in the news that UK bank account details had been obtained for a few pounds each in India by an undercover Sun newspaper reporter.

The DTI report on call centres (DTI, 2004) includes detailed profiles of leading countries in the outsource market. Some key facts are:

- **Republic of Ireland:** An early market entrant with a higher proportion of the population employed in this sector (3.6%) than in the UK (2.83%). The market is now reaching saturation. It is favoured by USA and UK companies, not just due to the English language but the high level of multi-lingual speakers makes it a good base for pan Europe centres. The service culture is also attractive. The proximity to the UK is attractive to UK based companies. Whilst labour costs are slightly below the UK, business rates in Dublin are high. A key sector is IT support (41% of outsourcing) and the higher costs lead to a focus on high value, less price sensitive business.

- **Netherlands:** Competes with Ireland as a multi-lingual base covering Europe, but also reaching saturation. Innovative suppliers and cheap rents.
- **Philippines:** Third largest English speaking nation in the world. Mainly serves the USA market (FS, communications and IT are key sectors) but interest is growing from the UK. A low cost but immature market that scores well on service culture, political/economic stability and labour costs, but low on sophistication, corruption and management expertise. A high level of growth is expected.
- **South Africa:** Similar scale as the Philippines, but with the market developing out of domestic outsourcing in the FS and telecommunications sector. Capetown is a favoured centre ('call the Cape'). Exchange rates are favourable, labour rates are low, centres tend to be large, not very sophisticated in terms of IT applications and lack multi-lingual agents. There is a closer affinity to the UK than the USA - several UK companies have established centres (Lloyds of London, London Underground, BT, Abbey) – the 2 hour time zone difference making it easier to manage than other locations.
- **India:** The largest outsource centre with 250 centres and 51,000 agents. Labour costs are very low, outsourcers can avoid paying VAT and there is a high level of over supply keeping overall costs low. However, productivity rates are lower than in the UK; labour costs and agent attrition rates are rising. India is rated well for contract enforcement and proficiency in English, but less well for business entry barriers, political/economic stability, corruption, and infrastructure (outsourced call centre networks are not linked to the Indian domestic telecommunications network). The leading customers are UK, USA and Irish based companies, despite the level of cultural dissonance. This dissonance makes it difficult to outsource activities to India that are either based on emotionally sensitive conversations or focus on culturally charged issues (e.g. healthcare and pets). Traditionally, India attracted operations that were cost sensitive such as outbound sales, short duration transactions or back-office support. The largest current sectors are customer service and helpdesks. It is also a popular region for 'follow the sun' operations. Some leading companies, such as BT and GE Capital have set up their own centres in India, but others have experienced problems with 'heavily-interactive' voice communications and associated reactions from the consumer and the media and decided to move this type of outsourced activity back to the west.

A key issue is the attitude of consumers to off-shore call centres. Unlike the transfer of manufacturing from the UK to cheaper areas creating lower priced goods of a similar, or even higher quality, the migration of call centres may not bring any real perceived pay off for the consumer. The DTI report (DTI, 2004) includes findings from research conducted by firstly call centre consultancy, ContactBabel, and secondly the trade union Amicus which suggests that UK consumers seem unhappy with off-shore centres – but this picture needs to be qualified. Nearly half of those interviewed in the ContactBabel survey (47%) felt more negative about organisations that off-shore; nearly three quarters of those having used an off-shore centre thought them worse than those in the UK (73%); 10% claimed to have changed supplier in the previous year because they had 'off-shored' (and 26% claimed they would be in the next twelve months). However, this should be put into the context that only 37% had knowingly dealt with an off-shore centre. In the Amicus research, the majority interviewed thought they should be told if customer service was being delivered from off-shore (79%) or if they were being called from off-shore (69%) and 63% claimed that they would take call centre job migration into account in purchasing decisions. However, the Amicus research also found that 26% of consumers did not mind speaking with off-shore agents and according to a MORI survey conducted for the Gauteng Economic Development Agency in South Africa many people (63%) don't mind where their calls are handled as long as they are handled properly. The findings from surveys may also depend on the agenda of those asking the questions and need to be set in the generic context reported earlier in this paper in that many people are unhappy with call centres, anyway.

According to one report, by Mitial Research, a third of the UK's largest call centres will have closed by the end 2005 with the loss of 90,000 jobs (TSSA Journal, September, 2003). However, Nationwide Building Society has publicised its commitment to handling all calls within the UK due to service factors and the impact of moves on the effected local communities. The AA has recently stated (Guardian, 24-06-05) that whilst it is to rationalise its UK call centres, and invest £10m in its Newcastle and Cardiff centres, it does not intend to realise estimated potential further savings of £50m by moving centres offshore as it can improve customer service and efficiency whilst remaining in the UK. Also, one of India's leading IT global companies, HCL BPO, announced in September 2004 that it would be creating 250 further jobs at its call centre in Belfast, originally operated by BT and opened in 1997 (nics.gov.uk, 20-09-05).

Advice to organisations considering off-shore outsourcing is to build overall strategy round a balanced UK and overseas model in terms of location and competencies. A further consideration is the extent to which more complex products and services can be adequately serviced from abroad. Finally, the problems and costs of managing a remote outsourced activity can easily be underestimated.

7. A future for call centres?

As described within this report all the indicators point to a continued rise in the call centre as a key two-way communication channel between organisations and consumers. It will remain the first choice channel for customers to conveniently contact organisations. Some of the growth will move off-shore, but the UK will remain a significant marketplace for call centre services. Outsourcing is likely to also grow as organisations decide to address the increasingly complexity of their overall businesses by shedding non core activities, or those where the rate of change is rapid and more effectively managed outside (or inside) the organisation by specialists.

However, as identified within this report senior management will need to pay more attention to this channel, and the image of the organisation (and the brand) that is projected into the marketplace. Call centres provide a major, and cost effective, opportunity to develop and nurture a positive and added value relationship with consumers if the following issues are addressed:

- Call centres need to be treated as delivering strategic growth for the business by encouraging new customers, retaining current ones and delivering increased sales through the empathetic understanding of callers needs - and that this is reflected in the organisation’s business plan and channel objectives;
- Performance measurement includes key metrics that are caller focussed and that senior management regularly receive, and discuss, a flow of balanced core information in order to identify the contribution of this channel in achieving wider business objective;
- Remuneration and incentive policies for agents that reflect the delivery of service to a specified quality;
- Staff and their management are viewed as core front-line assets who are extremely well trained, respected for their expertise and knowledge of the customer, and are listened to by management;
- Business processes that can lead to unexpected or inappropriate calls are reviewed and amended (or where this is difficult to achieve in the short term, staff are adequately trained to deal with them and the cost of dealing with such calls is treated as an overall business cost rather than a charge on the centres budget and performance). For example, GNER that operates the mainline rail services from London to Edinburgh has introduced a ‘ticket alert’ e mail facility on their web site enabling passengers to enter the date they wish to travel on and then be notified when tickets for travel on that date become available. Passengers therefore can get the best deal on fares and the flow of calls by potential passengers repeatedly calling the telesales unit to check availability is reduced (Railway Magazine, July 2005);
- Businesses need to be prepared to share information with agencies and ensure that they can see the ‘bigger picture’, for example the full multi-channel strategy rather than simply the role of the ‘phone;
- When selecting an appropriate outsource partner, experience of the client business sector may be essential – and should override concerns about plans leaking to competitors;

* Outsourcing contracts need to be appropriately constructed in order to ensure that the quality of service to customers is not undermined by a focus on productivity issues. Also, the contract needs to deliver financial and other results that are acceptable to both parties;
* Organisations will need a different mix of competencies in order to effectively manage an outsource contract compared to managing a similar in-house activity;
* Outsourcing off-shore needs to be based on a considered review of the reasons for doing so, the type of calls, and the consequences for relationships with callers.

Some experts believe that the age of ‘cold calling’ is drawing to a close (CM insight, Auguat 2004) due to the reactions of consumers and the consequential action by regulators - for example, the use by OFCOM of the EU regulations on electronic communications introduced in 2003 to clamp down on users of auto-diallers that create unacceptable levels of ‘silent’ calls. The massive growth in registrations with the Telephone Preference Service and ex-directory numbers is already squeezing the available market and creating more irritation amongst those that are left. Using random digit dialling (RDD) is not a viable or responsible long term strategy to offset these problems. Awareness of data privacy legislation and the special clauses controlling direct marketing are part of the overall hardening of attitudes towards intrusive use of the ‘phone by businesses.

The report published by the DTI (DTI, 2004) concludes that the role of call centres needs to change if long term growth is to be sustained. The authors believe that the reasons why consumers use call centres is still not sufficiently understood, but they believe that as technology is increasingly applied to answering low-level queries (self-service), organisations will need to ensure that agents are of the right calibre to deal with more complex queries and that their contact centres are managed to reflect this change. In addition, low-level queries that cannot be handled through self-service are often the most appropriate types of calls to move to a low cost off-shore location. ‘Low-level’ should not be confused with ’low-value’ as call types that the organisation may classify as of less importance could be top of the list for consumers and have a disproportionate impact on image if handled badly or inappropriately (from a caller’s perspective).

The future is therefore about dealing with the higher-level calls - more about ‘contact’ rather ‘call’ centre and encouraging in-bound calls or developing ‘warm’ opportunities for outbound, rather than cold-calling complete strangers. These are the types of centres that are most likely to remain close to their market for cultural reasons and will therefore remain within higher cost locations, such as the UK. These centres will need to be seen as delivering good value to customers and the business and. In addition the traditional parameters for call centres will need to be replaced by a new agenda that is built around:

- Taking a holistic view of the relationship with customers;
- Business departments viewing the contact centre as a partner;
- Ensuring that the whole organisation appreciates the importance of quickly and effectively dealing with queries escalated from the contact centre;
- Increasing the knowledge about customers and their needs and making this widely available and easily accessible;
- Developing a real multi-channel approach to communications with the market – and ensuring that contact centres can effectively support all channels and this wider role is reflected in the way they are costed;
- Developing new competencies and skills to reflect this changing need thereby empowering agents;
- Ensuring that there is a good match between the proposed geographical location of a centre and the service it will need to provide to callers;
- Introducing HR policies, remuneration and incentive schemes that attract higher calibre staff and encourage them to stay;
- Treating the measurement of effectiveness and efficiency as of equal importance;
- Ensuring that there is an effective policy to deal with complaints and their root cause;
- Recognising that those working in contact centres are very close to the market and can provide the organisation with a wealth of market intelligence.

Much of the growth in off-shore operations is likely to be in providing back-office support (e.g. as part of an overall outsourcing of IT contract) or handling high volume low interaction queries that can be facilitated through the use of IT driven solutions (e.g. train timetabling, credit card support, insurance policy administration etc) often with a global market.

8. A future for outsourcing CRM?

One key industry figure believes that the CRM outsourcing market is still a long way from maturity (in the 'iron age'), citing evidence such as the leading outsourced supplier having only 4% of the European CRM market and a high failure rate of outsource suppliers due to pressure on margins and poor cash flow. Many of the current projects in the CRM market are still based on creating more efficient modern day 'sweatshops' (call centres), rather than providing clients and their customers with a richer multi-channel fully IT supported experiences. Another issue that underlines the immaturity of the market is that many clients still do not recognise or identify that managing a major outsourced project requires a very different skill-set than managing a similar in-house activity. This is an issue that still needs to be properly addressed.

Finally, the embryonic state of the market is further underlined by the fact that it can be difficult to initially assess whether a potential project should be simply a BPO project, or whether there is the potential to deliver wider benefits through BTO – clients do not as yet easily see a bigger picture when considering an outsource opportunity, remaining focussed on a single, problem process rather than seeing the whole activity of which this is simply a component. The BPO is 'bottom-up'(tactical) and handled in association with a department, or function, within the client organisation, whereas BTO is 'top-down'(strategic), requiring board level commitment from the client – a very different route into the company. What starts off initially as a request to tender for a single application may after further discussion be identified as an opportunity to radically transform a whole activity through an outsourced partnership arrangement.

It is likely that within five years many of the processes currently requiring live agents will be replaced by voice technology that can replicate 'person to person' dialogue in a natural conversational mode and tone, and in any language. These have been successfully tested in the laboratory and a fully automated voice technology booking service is shortly to be implemented by IBM for a global leader in the hire car market. Other voice technology applications in development cover flight bookings and remote service provided to a car manufacturer's customers, for example, opening a car using a transmitted signal for an owner who has locked the keys inside.

Of the three main CRM related activities that might be activities for outsourcing, much of the current emphasis is on the area of customer service:

- Sales: traditional field sales activities provide minimal opportunities;
- Marketing: not currently a focus for outsourcing. Within FMCG companies marketing is likely to remain a core competence, whereas there are potential opportunities within a sector such as financial services where marketing is not a traditional core activity and could be outsourced. A further possible opportunity is in the operation of loyalty schemes. Current CRM outsource specialists will need to forge relationships with marketing services organisations, or consider acquisitions, in order to provide a comprehensive and credible solution;
- Service: this provides the current main source of CRM outsourcing. Customer care/service is also an area where the potential for achieving gains for the client are substantial due to the high levels of investment necessary in infrastructure and

labour, and, the volume of activity involved (contacts, calls, transactions etc). For example, consolidating a number of client contact centres employing 12,000 agents.

Running an organisation's IT function as an outsourced operation does not necessarily create access to an organisation's CRM processes. The database may be held and operated through the IT outsource arrangement, but the operational CRM processes reside elsewhere within the organisation – service, marketing, sales departments etc.

Increasingly, the future of CRM outsourcing will become a strategic opportunity to help organisations maximise their full potential, rather than simply running a non core process or activity.

HENLEY UNIVERSITY OF READING

9. References and Sources

Bousefield, P., The business case for call centre outsourcing, *Interactive Marketing*, Vol. 5 No. 2, October/December 2003, IDM/Henry Stewart

Bousefield P., Fielding G. et al, Contracting for Customers, CM insight and Baker & Mckenzie, November 2004

Davenport, Thomas H., The Coming Commoditization of Processes, *Harvard Business Review*, 23 June 2005

Havard, M. & Reed D., Call Centre Outsourcing: *The Guide*, Callcraft, 2000

Hewson, W., Outsourced CRM: Why it will increasingly rely on application service providers, *Interactive Marketing*, Vol. 3 No. 3, January/March, 2003, IDM Henry Stewart

Holliday A., A passage to India, *Financial World*, January 2003

Business Transformation Outsourcing, IBM White paper (undated)

Call Centres (Industrial Report) UK, Mintel International Group, April 2005

Call centre jobs on the line, TSSA Journal, September/October 2003

Channeling and rechanneling care: The strategic process of outsourcing, IBM (undated)

Death of the cold call, CM insight, August 2004

In through the out door, Financial World, April 2003

Intelligent Advantage, Database Marketing, July/August 2005

Managing what Matters, CM insight, August 2002

No free lunch, CRM Daily, 11th October, 2004

Offshore and the Customer Experience, CM insight, May 2004

Poor customer service is top reason consumers switch service providers, Accenture press release, Accenture.com, New York, 26th July 2005

Privacy Laws & Business, UK Newsletter, May 2004

Privacy Laws & Business, International Newsletter, June/July 2005

Strategic Outsourcing to advance the organisation 2005 European Benchmark Study, IDL/BT

UK Contact Centre industry: A study, DTI, May 2004

Focus groups with Cranfield CRM Research Forum members, May 2005

Interview with Matt Hobbs, Leader CRM BTO, EMEA Business Consulting Services, IBM Global Services, May 2005

The Henley Centre for Customer Management

The Primary Objective of the Henley Centre for Customer Management is to promote Customer Focus and Service Excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own Customer Management and Customer Service plans and implementations.

The Cranfield CRM Research Forum

The Cranfield CRM Research Forum was directed by Dr Moira Clark during the 2002 to 2005 period.

After her appointment to the chair of Strategic Marketing at Henley Management College, Moira created The Henley Centre for Customer Management to continue the work of the forum.

Members

Each year, the Centre aims to attract a membership of between 10 and 20 organisations, each a leader in their sector.

Members in 2005 were:-

- Janssen-Cilag Ltd.
- Christian Salvesen
- Extraprise
- London Symphony Orchestra
- Nationwide Building Society
- Adnams Brewery
- Barclays Bank PLC
- Reed Business
- BT
- Siebel Systems, Inc.

The Henley Centre for Customer Management

HENLEY
UNIVERSITY OF READING

Centre Contacts:

Director	Assistant Director	Customer Relationship Executive
Professor Moira Clark	Tony Harrington	Anne Tabbner
Tel: 01491 571494	Tel: 07815 938534	Tel: 01491 418710
Moira.Clark@henley.reading.ac.uk	Tony.Harrington@henley.reading.ac.uk	Anne.Tabbner@henley.reading.ac.uk

Henley Business School,
Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU

This report was produced during 2005 when the Research Forum was directed by Dr Moira Clark in association with the Cranfield School of Management.

Maximising Value through Relationships