Analytics in Outsourcing: Who is going to hang-up first?

Outsourcing of customer services is the emerging trend for large organizations that have a large amount of customers. The range of services can vary from call center activities to direct sales, collection of receivables to industrial scale legal action. But why do corporations outsource the privilege of servicing their customers while they can do that on their own? What is the benefit? And what are the things the corporations do before and after outsourcing? What are the analytical tools that oursourcees can use?

Why outsourcing?

Each industry has its own problems and solutions; however companies competing in the same industry don't have the opportunity of getting feedback from each other. This means that there is a need for a concentration of knowledge to foster excellence. Outsourcees propose to be the natural repository for such knowledge.

Outsourcees interact with many outsourcers from different industries and learn from them. When the operation starts, they follow established process flows, communication procedures and roadmaps; and are ready for eventual problems.

Getting ready for outsourcing

Outsourcing a service is a tricky process that has to be managed by care. The preparation steps will have defining effect on the future success of the outsourced service.

First of all, both outsourcer and outsourcee should be on the same page regarding the specific operational goals for **process optimization and management**. Business needs should be put on paper by outsourcer and detailed process flow diagrams should be documented by the outsourcee accordingly. After the main workflows have been drawn up by the outsourcee, the final version should be formally published by the mutual agreement of both parties.

Key Performance Indicator (KPI) determination and goal setting is another crucial element for the success of the outsourced service. An adequate number of explicitly defined KPIs should form the basis for a service level agreement between the outsourcer and outsourcee. For instance; a typical set of KPIs for collections operations outsourcing would be: Number of calls placed, ratio of customers contacted, ratio of customers keeping their payment promises, ratio of customers transferred to the legal action department… In this case the definition of 'ratio of customers contacted' is actually subject to interpretation and may have a large impact on how the outsourcee structures the process. One calculation might be defined as "number of successful calls divided by number of total calls"; another might be "number of customers reached within 3 call attempts divided by number of customers in the call list" or "number of customers reached in a given time frame divided by number of customers" called during a specified time frame.

After outsourcing

It's not only setting up the KPIs but also periodic reviewing of service-level KPI's is essential. A **monitoring cycle** should not be more than a month since possible service problems are better exposed as early as possible. A Dashboard of KPIS – followed by detailed reports – should be distributed to operations manager of the outsourcee and relevant product/customer manager of outsourcer. In addition to operational metrics, customer complaints due to that specific service can be directly measured by outsourcer. After 6 or 12 months, a 360 degree more comprehensive review of outsourced operations is an important metric to decide on the continuity of the outsourced business.

A few months after the handover of the outsourced operation, data cumulates and the sample is big enough for analysts to work on and draw conclusions from. Depending on the past data **clustering and segmentation** of customers become possible. For instance: A debt collections outsourcer can differentiate the groups of customers from which it is likely or unlikely to collect. Therefore, it can

prioritize according to its KPI-based goals or direct the more difficult cases to be targeted by more experienced collection agents. Another benefit of having enough data is being able to prepare **scorecards**. Risk and product propensity scorecards are the typical ones but an interesting example is the "hang-up scorecard". In a call center operations scenario, one of the KPIs is "number of dropped calls". In order to keep this metric low, it's quite useful to know who is likely to hang up after waiting 5 or 10 minutes. Obviously some priority should be given to those impatient customers. This kind of prediction requires working on hundreds of derived variables, significant amount of historical data and data mining algorithms to choose the best predictive model. The product is a hang up time prediction score for each customer. Based on this information the call center can prioritize a group of customers and can connect them to an agent before they hang up.

Outsourcing has cost and quality benefits to the outsourcer and efficiency benefits to the outsourcee when it is planned methodically, managed analytically and measured professionally.
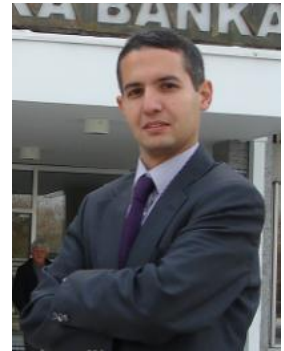
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