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Outsourcing Tech Support: Look Before You Leap

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Outsourcing tech support may not be such a great idea, after all. Recent examples of U.S. OEMs rescinding support deals outsourced to Indian firms, and the general presidential election year backlash, may give organizations new reasons to review their options.

The Verghis Group, a Cambridge, Mass.-based global service delivery consultancy, says outsourcing support **makes sense for some OEMs, but not all of them**. Even those that can benefit must clear many hurdles before getting the benefits they envision.

Many companies, including OEMs, **fool themselves when considering outsourcing**. "The point is not to go in blindly and say, 'Let's do it because of cost,' because it's one of the most stupid things you can do," warns Verghis Group president Phil Verghis.

News stories of technical manpower costs in India which are a fifth to a tenth of U.S. or European wages have created expectations of spectacular savings. Cost reductions, while they do occur for some, generally fall into a range from 20% to 40% of support costs, depending on the nature and amount of the outsourcing. In general, **the more proprietary and complex the issues, the smaller the savings**.

Food for Thought

Labor expense is just one factor when considering the outsourcing option for support. The technical fit is another. Typically, outsourcing **works best for low levels of support**. An available pool of intelligent employees is trained to follow and provide scripted answers to questions that can be quickly covered. About 80% of the questions coming from customers must be repetitive in nature to take advantage of this approach. The remaining 20% would then be "escalated," or referred back to the OEM's own support staff.

No matter whether a vendor is located across the globe or across the street, an acceptable level of systems integration between the OEM and the outsourcer is necessary. Without it, companies risk angering their customers as questions bounce back and forth from one representative to the next. What's more, having to **reacquire information of any sort prolongs a call**, which also increases support costs and loses some of the potential savings that outsourcing can provide. Having the right information available is also vital for proper billing and cost controls. "Some of an OEM's customers have support contracts," notes Verghis. But without proper integration in place, "how does the outsourcer know that a given company is entitled to support?"

Equipping an outsourcing vendor so that it works seamlessly as part of an OEM's support team can add up to a significant but necessary expense. It's not enough to have telephone, Internet and fax links between the OEM and the outsourcer. The latter must also have automatic call distribution (ACD) and customer relationship management (CRM) systems that interoperate with those of the OEM so the customer experience can be transparent. According to Verghis, basic integration costs **start at about \$10,000 USD** and can climb into the hundreds of thousands of dollars for more

Issues to Consider Before Outsourcing

Issue	What to Expect
Minimum Call Volume Required	200 – 300 questions per day that can be outsourced
Support Contracts	Whether current support contracts allow for outsourcing calls
Language/Cultural Issues	Potential loss of customer trust if not well managed
Systems Integration Costs	\$10,000 USD to \$100,000+
Potential Support Cost Savings	20% to 40% of overall support costs if conditions support outsourcing and it's well managed

Source: Verghis Group

complete integration.

Cultural and Legal Considerations

Outsourcing brings to the surface a number of cultural considerations that most companies rarely think about. Customer trust, for example, is important to OEMs, because goodwill can translate into future sales. Yet an outsourcing arrangement makes **it more difficult** to maintain that level of trust because there are more opportunities to jar or alarm the customer.

In international outsourcing, some customers may **react badly to hearing an unfamiliar accent**. "I was speaking to someone laid off from a local company who says she gets angry when she calls her PC vendor and talks to someone who she thinks took her job away," says Verghis. The woman knew that her response was not rational, but that didn't change the way she felt.

Some companies try to hide the identities of their support people, having them use false names that sound familiar to the customer and keeping their location a secret. However, Verghis **thinks this can backfire**, because many people will ultimately find out the truth and lose trust in their supplier. This problem is reduced when outsourcing within the same country, but even then a strong regional accent can adversely affect customer perceptions.

A difference in accent or language dialect can lead to a total communications breakdown. For example, Mandarin Chinese is markedly different in China, Taiwan and Singapore. Reputable outsourcing companies can ensure that customer representatives are training in the correct idioms and accents. Even then, **cultural differences can cause subtle problems**. For example, the way people apologize for a problem can vary significantly across different cultures and can easily be misinterpreted.

Then there are the legal and related external factors to consider. For example, laws in one of the partner's home country might prevent **sharing of pertinent customer information**. And security becomes an issue in both safeguarding customer information and intellectual property as well.

Geopolitics can affect whether an OEM can depend on an outsourcer. If, for example, tensions rise between two countries it's feasible that an outsourcing relationship might be interrupted. Currency fluctuations can also cause significant changes in pricing, particularly in multi-year deals. Verghis advises OEMs to either **peg payments to a particular currency** or hedge against problems by appropriate use of currency futures.

Prerequisites for Outsourcing Support

- ▶ Determine if support is a competitive differentiator.
- ▶ Measure the business value that service and support contribute.
- ▶ Compare the total cost of service in relation to incremental service costs.
- ▶ Anticipate and manage change in service needs.
- ▶ Create a blueprint for the entire portfolio of services needed for the next two years.

Source: Verghis Group

First Things First


To justify the expenses of outsourcing, an **OEM should receive at least 200 to 300 questions** of the types that can be outsourced every day. Otherwise, the fixed expenses cannot be amortized over enough calls and the cost per support call is too high.

At these lower volumes, the savings will typically be on the lower end of the range -- say 20%. For this reason, Verghis recommends that OEMs first consider implementing various types of **automated technical solutions** to reduce the call volume in an economic way. This includes everything from self-help Web systems to automatic software updates similar to what **Microsoft® Windows® XP** provides. Afterwards, an OEM can determine whether the remaining call volumes are enough to warrant outsourcing.

If there is enough volume of the right types of calls to outsource, then an OEM must examine how it currently provides support -- and fix any shortcomings before it even considers outsourcing. There must be clear-cut flows to define how support requests come in, well understood rules for how each of those calls are handled, and steps spelled out as to how an issue can escalate. If support processes are not adequately defined, then **outsourcing will actually increase the chaos**. "OEMs do manufacturing processes really well," notes Verghis. "They do not do the business process as well," adding that the


Top National Providers of Outsourcing Services

- ▶ India
- ▶ Philippines
- ▶ Russia
- ▶ China
- ▶ Canada
- ▶ Mexico

better processes are defined and controlled, the greater the support savings will be.  Ireland

Source: Forbes.com

Finally, an OEM must ensure that its outsourcer is working with the most **recent technical databases** from its own team as well as third-party sources. Fortunately, Verghis says many outsourcing companies exist that are experienced with PC support and are properly equipped in this area.

Outsourcing is clearly not a match for all OEMs. But when the conditions are right and the preparations thorough, it can lead to **happier customers and a stronger profit picture**. 

For More Information

[HDI Support Center Certification and ISO 9000 Quality Management Principles: Complementary Approaches \(PDF document requires registration\)](#)

This Help Desk Institute (HDI) white paper, written by Paul Dooley of Optimal Connections, LLC, examines the relationship between the HDI Support Center Certification and the ISO quality management standard.


[How to get more out of Offshore Outsourcing \(PDF document requires registration\)](#)

In another HDI white paper, Kamal Saini of Mastek Limited explains how to make offshoring business processes more effective.

[eSourcing Capability Model for Clients \(eSCM-CL\)](#)

Carnegie Mellon's Software Engineering Institute is creating capability maturity models for both outsourcing vendors and clients, similar in concept to the software development capability maturity model.

About Verghis Group

The Verghis Group (www.verghisgroup.com ) is a consultancy that helps clients outsource services on a global basis. For the right clients, it can add significant value to corporate operations with minimal cost impact by offering a comprehensive look at issues from a customer's point of view. The company offers benchmarking, lifetime value analysis, support process optimization, and training and mentorship.

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