

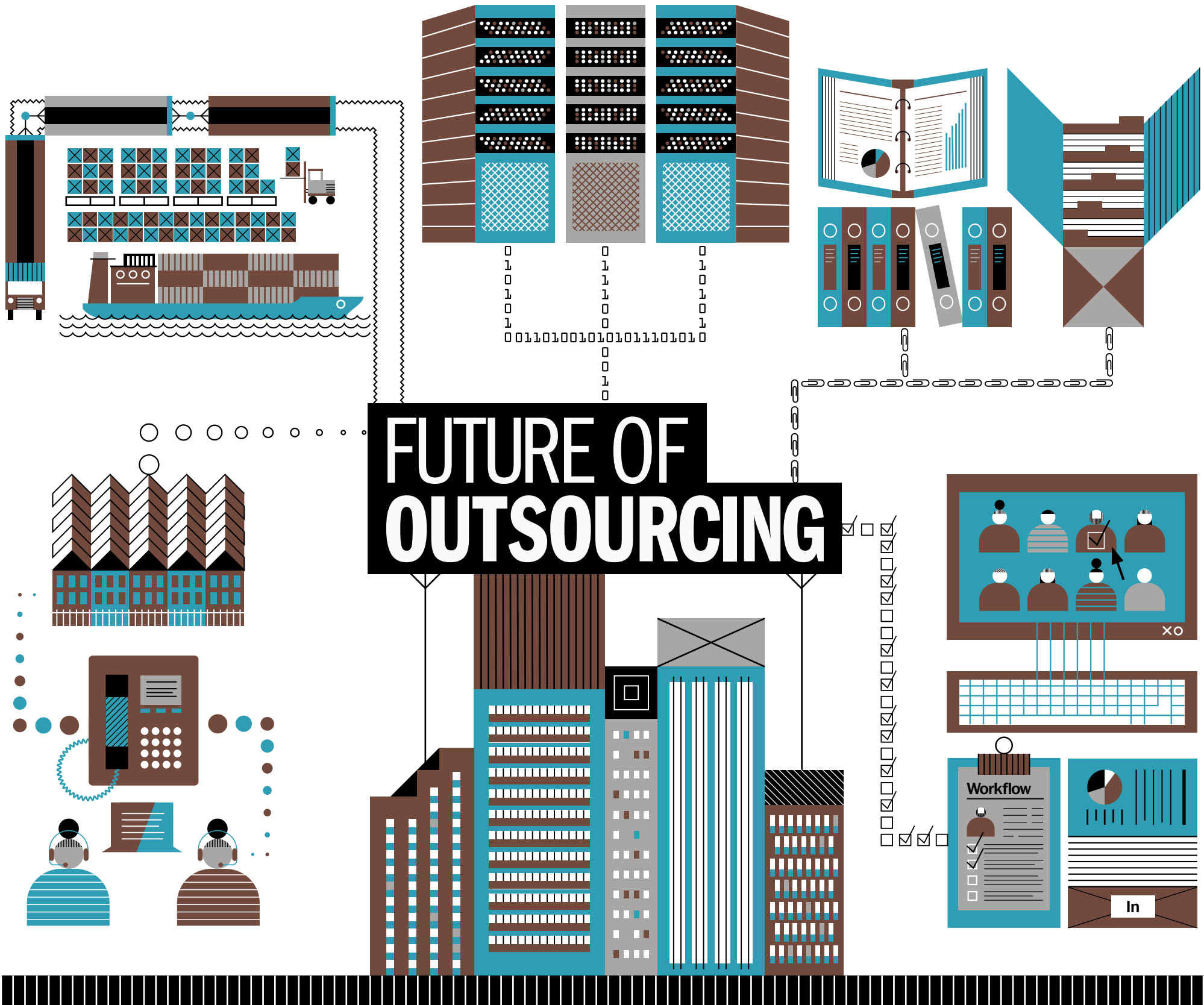


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THE POWER OF THE HUMAN TOUCH 



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FUTURE OF OUTSOURCING ONLINE:
WWW.RACONTEUR.NET/FUTURE-OF-OUTSOURCING-2015

P03



Overview



Image: Getty

OUTSOURCING IS NEW NORMAL

Once almost a dirty word, outsourcing has proved doubters wrong and offers businesses the opportunity to grow and prosper, writes **Charles Orton-Jones**

A couple of years ago the National Outsourcing Association conducted a poll. One big finding stood out. A whopping 80 per cent of the general public did not think outsourcing was beneficial to the UK. "Outsourcing has an image problem," wailed the NOA. "It's a dirty word, in many people's eyes."

Which raises the question why? Sure, there are some problematic deals from time to time. These are picked up by the press, much as a person falling down a man-hole is more newsworthy than people routinely not.

But outsourcing is a fact of life – always has been. Only the most eco-obsessed person grows their own food, generates their own power and weaves their own clothing. The rest of us outsource to companies specialising in those departments. It's just what happens.

In the private sector, firms outsource routinely. When financial advisers Hargreaves Lansdown outsourced the development of its mobile app to Mubaloo, it was to access technical expertise. Hargreaves Lansdown had an in-house team of app developers, but they wanted to focus on the niche areas they understood best. Mubaloo built iPhone, Android and iPad apps. The iPad app resulted in a 17-fold traffic uplift from the device in 2013. Who could possibly object to such an arrangement?

Sometimes the outsourcing is done to tap into scale. Charities often used to run their own call centres to handle donations and other inquiries. Running a call centre is a tricky business though. So many prefer to outsource to a specialist, such as Connect Assist, a social enterprise founded by Patrick Nash. Located on the outskirts of Cardiff, Connect Assist employs 110 people who handle calls for a variety of charities, such as the Royal British Legion, the National Council for Voluntary Organisations and Barnardo's.

FLEXIBLE CAPACITY

When customers ring the Royal British Legion, they will be unaware they are talking to a specially trained Connect Assist staff member in Cardiff. Many of the call handlers are ex-servicemen and women. Connect Assist handled 1,400 calls in the first month of its agreement with the British Legion, a volume which would have stretched its own in-house capacity to breaking point. The Connect Assist service is 24 hour, another plus.

Often an outsourcing deal occurs because another firm has a technology breakthrough which will be impossible for the client firm to replicate. Vodafone Ireland uses Brite:Bill's online billing service because it beats any system Vodafone has developed in-house. Makes sense, doesn't it?

Outsourcing can help businesses diversify. When domain registry and hosting firm Names.co.uk wanted to add a website builder to its customer offerings it went for a white-labelled version of Base-Kit's product.



Outsourcing is a fact of life – always has been

BaseKit makes it easy for non-technical folk to create websites. The customers of Names.co.uk may not be aware they are using an outsourced service. If they were, they might be more inclined to recognise the contribution made by outsourcing models.

TOP TECHNOLOGY

Technology outsourcing can be found all the way to the top end. Iridium satellite phones are used by oil, maritime and defence industries across the globe. The satellite network connecting the calls cost \$6 billion to launch. Since 2003, Iridium has partnered with Cambridge Consultants to work on the next generation of phones. Iridium uses Cambridge Consultants' radio design teams when it needs, reducing overheads and expanding design capacity on a flexible basis. The relationship is now in its eleventh year, proof that both parties feel the arrangement

is of mutual benefit.

The reputational problems of outsourcing stem partly from government contracts. Here a few bad deals can sour the industry's image. Yet there are so many positive stories. In Milton Keynes the council is working with Tech Mahindra to create a "smart city". The bins report their capacity, so collections can be routed in the most efficient way. The luminosity of street lights can be managed from a central command. Electric vehicle charging points are being constructed. Water meters are being installed in houses so homeowners can see consumption on their mobiles.

Many of these technologies are also being trialled simultaneously in Jaipur, Melbourne and Dubai. The council would have great difficulty implementing these changes by itself, as its councillors freely recognise. If the new approaches deliver value for money, other UK councils can adopt them.

These deals are normal outsourcing deals. Maybe they are too dull to make the 10 o'clock news. Contracts which quietly deliver value for money rarely do. The industry would do well to publicise them a little more. And maybe relax when a negative survey delivers grim news. If the general public really saw what normally goes on in outsourcing there would be choruses of praise. **R**

57%

of world business leaders cited improving efficiency as a driver in outsourcing processes

Source: Statista, 2014

40%

of global businesses currently or plan to outsource business processes

Source: Grant Thornton, 2014

67%

rise in the average value of local government outsourcing contracts in the first half of 2014

Source: UK Outsourcing Index

Opinion

UNSUNG HEROES WORKING
BEHIND COMPANY LINES

A call to nationalise mobile phone networks has highlighted that many brands rely on outsource providers who work largely unnoticed behind company lines, says **Charles Orton-Jones**

A few months ago, a newspaper columnist had a bright idea. He wanted to nationalise mobile phone networks. His new state-owned monopoly would solve black spots, which are currently too costly to plug, invest in R&D and offer old-fashioned customer service. The single new network could also avoid duplication of masts.

The problem is that mobile phone brands aren't quite what they seem. Behind the familiar brand names, such as Vodafone, O2 and EE, lies an "ecosystem" of outsourcers.

Take customer care. Vodafone doesn't handle customer care directly. It relies on Amdocs, an outsourcer. Or when EE sends a bill or wants to know how many iPhones it has in Doncaster, it relies on Ericsson. O2 and Three UK both use Huawei and Tech Mahindra to run their core networks.

Map out the delivery of mobile services and you are talking hundreds or thousands of firms. The number is hard to calculate, because it's hard to know where to draw the boundary. Do we include the outer fringe of outsourcing, such as media buyers, brand consultants, advertising agencies, data storage providers and data visualisation firms?

Consumers, including newspaper columnists, are rarely aware of this hidden world of outsourcing.

Buying all the firms involved in delivering the mobile network as part of the nationalisation drive would be expensive. Huawei is the largest telecoms maker in the

world. It made £2.2 billion profit in 2013. To buy a privately owned firm such as this could cost north of £70 billion. You'd also be buying office managers (Mitie) and mast optimisers (Arieso), to billing specialists (WorldPay) and call centre software writers (Aveya). The total bill could total more than a trillion. It's just not feasible.

We can't do it on the cheap and seize them by force. Amdocs is American, Huawei is Chinese, Tech Mahindra is Indian. A British bill of nationalisation wouldn't work on foreign firms as their assets aren't based here, nor would sending in the army and grabbing their UK offices. Their technology and infrastructure are based overseas, so you'd be nabbing a few leased rooms and photocopying machines in Reading and Croydon. Futile.

And our new nationalised network would be back to relying on the same private-sector partners just as before, precisely what the critical newspaper columnist was trying to avoid.

Measuring
Return
.....
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It is faintly possible his new "Brit-Mobile" network could try and do many of the services currently outsourced back in-house. That is a tough ask. Take the automated



Image: Getty

Mobile phone brands are among the growing number of companies that outsource some business processes

phone answering service. Voice recognition firm Nuance is the dominant supplier. Nuance has 12,000 employees in 39 countries. It shares research with IBM, Samsung's mobile division and Intel. It has three decades of experience doing just one thing. It has a war chest of patents. Apple's Siri uses it. Is BritMobile going to compete head to head with Nuance? No chance.

COMPETITION WAR ZONE

There's another defect. The UK outsourcing market is a war zone, alive with competing entities. Newcomers appear all the time. The current UK mobile market has 12 networks, bolstered by virtual net-

either have a contract with BritMobile or nothing. The turbulent forces of innovation are stilled.

Just to bang home this point, it is worth emphasising just how Amazonian this ecosystem is. The diversity is incredible. Take something really tiny, such as measuring customer purchasing habits. You've got Dunhumby, Blue Yonder, eCommera, Datasift, Beyond Analysis, Actuate, Mu Sigma, Juniper, GfK, Capgemini, SAP, Teradata, Guavus, Omnico and a long list of others battling it out. We need diversity in this ecosystem. It's what makes the whole thing work.

Behind these firms lies a second tier of innovators, such as Pure

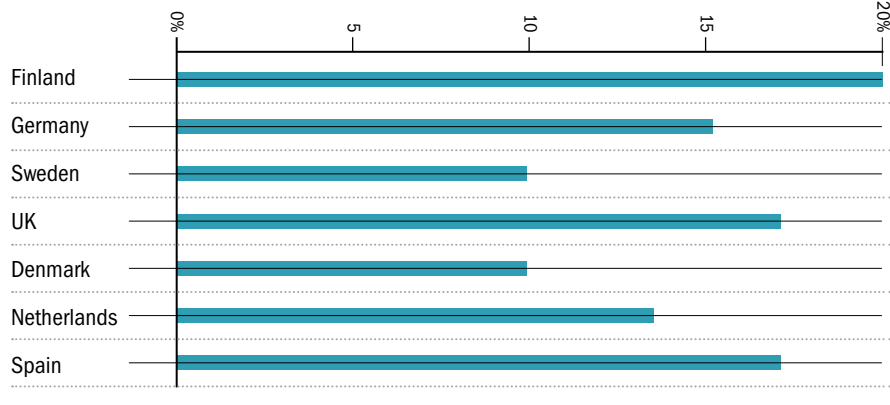
has, say, a ten-year deal with EMC, there is no way in.

These specialists are often run by entrepreneurial mavericks. Michael Ross built Figleaves.com into a huge online retail business, then sold it for a fortune. Today he runs data analyst eCommera. His brain churns out ideas for sales algorithms, which his roster of mathematicians evaluate with their clients. Some of his ideas work, some don't and, by Darwinian processes, the industry is moved along. He is unlikely to want to work for a state-owned monolith. Why would he?

It is worth stating bluntly that the reason we have 4G mobile phones capable of streaming high-definition video for the cost of a bottle of house white a month is because of outsourcing. A centralised structure can't compete with the frenzy of innovative outsourcers, each specialising in their own esoteric niche.

Naturally, the nationalisation plan has other defects. Politicians would meddle. The goals of Brit-Mobile would be disputed – should it prioritise R&D, low-cost calls, universal coverage or 5G networks? Today, if one network opts for a low-cost, low-tech strategy, customers can flee to a rival network favouring high-cost high performance. The fragmented market guarantees all segments can be catered for.

There is a serious point here. Outsourcing is under-appreciated. When we use our mobile phone, we are barely aware of the vast coalition of partners who come together to make our calls possible. The same is true for other industries, from automotive and manufacturing, to supermarkets and cinema. Consumers may not know it, but it matters. ■

BUSINESS OUTSOURCING
OF SERVICES BY COUNTRY

Source: EY 2013

works, such as giffgaff, Tesco, talkmobile, Lebara, Co-Op, GT Mobile, Lycamobile and Virgin. A start-up can win a contract with, say, giffgaff to prove their idea works, and then attract interest from Vodafone UK, progressing to Vodafone worldwide if they continue to deliver. Nationalisation kills this mechanism. You

Storage, which last year raised \$225 million in funding to compete with EMC in the flash storage industry. Pure Storage provides a service ten times faster and ten times more power efficient than the traditional disk approach. The company relies on a risk-taking client taking a punt on its brand new tech. If a monopoly

Case Study

FULFILLING THE
ORDER BOOK



Nodus is a young British firm making hand-crafted Italian leather iPhone and tablet cases. It sells online and needed to find the most efficient way to handle deliveries. The solution was to outsource its warehousing and fulfilment operations to Core Fulfilment.

HOW IT WORKS

The model is simple. Core Fulfilment receives products directly from the Nodus workshop in Cornwall. Once the delivery arrives, each item is checked by the Core Fulfilment team and given a unique reference code so that its progress can be tracked and recorded throughout the fulfilment process, from the moment the product arrives at the warehouse to the customer's door.

PATHWAY

Once an order has been placed, Core Fulfilment packs the item in Nodus-branded packaging and passes it on to the appropriate carrier partner to deliver to the customer as quickly as possible. Alex Boswell at Nodus says it was vital to find a solution that would produce reliable and trustworthy results for customers. "It only takes one bad delivery to sour a customer relationship," he points out. He says outsourcing was pretty much the only option. "Empty packaging alone requires significant storage space. Similarly, organising deliveries can be a drain on man-hours – taking each item to the post office was definitely not a viable model."

BENEFITS

Running a newly established e-commerce business, Mr Boswell and the company's co-founder Jack Spencer, had a lack of established relationships with delivery partners, which often enable deals to be made. "By outsourcing with a specialist service provider, you gain access to expertise and contacts that can be invaluable to your business," says Mr Boswell.

BRAND PROTECTION

It was important from the start that any fulfilment business they partnered with didn't dilute the Nodus brand and levels of service remained consistent. Mr Spencer adds: "I was slightly apprehensive as first. It was vital that everything that was happening behind the scenes aligned with our company values and the expectations of our customers. The nature of the service also had to be scalable as we grew, as we didn't want to have to face the cost or risk of taking on additional staff later down the line. We contacted various fulfilment firms to see what options were available, but decided to partner with Core Fulfilment because their costs were so transparent and we knew what we were getting."

VERDICT

His verdict? "The majority of Nodus customers are unaware that customer service inquiries are handled by the Core Fulfilment team because the communication we have with them is so seamless. They really are an extension of our own team and we feel confident that we can leave them to it."

Q&A

ANSWERING THE
QUESTION OF
OUTSOURCING



Charles Orton-Jones asks Christian Corney, commercial director at Goodmans, a British hi-fi and electronics brand dating back to 1923, why the company outsources so many core functions?

Q What do you outsource?

A We outsource pretty much everything. Industrial design is outsourced to Rodd Design, manufacturing is outsourced to a limited number of key partners in China and warehousing is outsourced in the UK.

Q Why outsource?

A It gives us agility. It means the business can call upon expertise in different areas. We can access the creativity of specialists. Over the last year we evolved the brand. To do that we called on small creative design agencies to help us understand our brand and create projects which can take the brand forward. Goodmans is a small consumer electronics company, facing the might of global brands which have huge R&D budgets and huge teams. We can't compete in the same way. So outsourcing enables us to be quicker to market and to adapt our product roadmaps quicker. We can use the best minds out there, who gather thoughts from the other industries they work in.

Q How do you maintain a close relationship with your outsource partners?

A We are fortunate in that we opened our first office in Hong Kong in 1972, so we have a long history of outsourcing manufacturing. And it is a challenge. You need to make sure your manufacturing partners really get what you are trying to do. The best way of making sure they do is to have face-to-face meetings with them and have regular dialogue. We have an office in China and I personally travel out three or four times a year. Our chief executive is out there five or six times a year.

Q What are the hardest things to get right?

A The challenge for our business is that we have UK designers and we create a lot of product identity here. Translating that into a physical product is the difficult part. The interpretation of a manufacturing partner might not always reflect the intent that you had. It can be incredibly nuanced. You can deliver a specification and they will always interpret. It can be how a product feels in your hand. How tactile. Do they get your idea? That is the hardest thing.

Q Is there anything you wouldn't outsource?

A Goodmans has always fluctuated from outsourcing to in-house, based on success, opportunity, size and requirements. I am comfortable with a high level of outsourcing as long as the fundamental values of the brand are being adhered to.

Q What has the result of your strategy been?

A Touch wood, it is going well. We undertook a big brand strategy project in early-2014. It was about tapping into the heritage of the brand, understanding its values. Our new product range really crystallises our values. We are getting a great response from consumers and retail customers. R



3 Key Areas

Where BPM Can Add Sustainable Value To Your Business

The future of outsourcing is about enabling global organisations to adapt to an increasingly digital age, where they have to be agile and re-invent themselves at a vastly accelerated pace. Fickle customer loyalty, owing to a growing choice of products and solutions, could drastically decrease market share of any organisation. Therefore, the sustainable growth of businesses will demand seamlessly run, lean and cost-efficient internal processes, constant alignment with changing technology and the ability to offer the perfect price point among others.

For all the above reasons, global organisations have turned to outsourcing players as strategic partners in their growth journey. Over the years, client requirements have shifted from quick-fix cost optimisation to longer-term strategic partnerships. Mature players have moved from a vanilla, one size fits all approach to tailor-made solutions that target the needs of different vertical markets. In the future, organisations will look to business process management (BPM) partners to add sustainable value to their business at three broad levels that include:

1

Deciphering 'Variability' In Business

Every business today is facing market inconsistencies which disrupt its external and internal processes. BPM players are able to infuse solutions (with a blend of technology, analytics and domain expertise) that can help companies quickly adapt to disruptions.

2

Increasing Productivity And Reining-In Costs

No business, however large or solid, can afford to deprioritize the importance of reining-in costs or increasing productivity (incremental or dramatic). BPM players specialize in this with their ability to understand the domain / industry of every client they work with. In fact, BPM companies go beyond cost optimization to build new revenue streams for clients.

3

Improving Governance, Risk And Compliance

There is an increased emphasis on good corporate governance and risk management at an enterprise level, across all industries, in an environment, where risks — both internal and external — can lead to serious reputational and financial losses.

Effective business risk and compliance management measures have become vital parameters for organisations survival and growth. Business risk management is a resource-intensive practice and organisations looking to excel in their governance, risk and compliance functions will need active support from a third-party service provider.

To conclude, outsourcing has managed to remain resilient in the face of economic uncertainty by constantly reinventing itself to meet market needs, such is the potency of its reinvention that the industry is expected to be worth \$202.6 billion by 2016, according to IDC. Integral to this growth has been the outsourcing industry's smart use of technology and analytics to respond to customer requirements with innovative solutions. Also, the industry's focused investments in programs that will service the traditional, transitional and innovation needs of clients.

By Keshav R. Murugesu,
Group CEO, WNS Global Services, Chairman,
NASSCOM BPM Council, India

WNS

Extending Your Enterprise

On-Demand

THRIVING IN AN
UNPREDICTABLE
MARKETPLACE

Speedy communications and impatient customers are forcing organisations into new ways of working that help them react quickly to sudden stresses and strains. Outsourcing to third parties on a pay-as-you-go basis is one solution growing in popularity, as Dan Matthews discovers



Image: Getty

The world is speeding up. Decades ago tasks we now think of as five-minute distractions could take all day. People allocated more time to things, moved at a slower pace and generally expected less of the organisations that served them.

Today it's quite different. The internet means activities – ordering, bill paying, information gathering, life organising – are done quickly and without a second thought. It's only when the system breaks that we notice it's even there.

Meanwhile, instant access to information means individual impulses can develop into almighty groundswells of public action that lurch the world in different directions. The implications for organisations are colossal. They must react satisfactorily or enrage the beast that is public opinion.

Within this maelstrom of activity, firms are tossed about like dinghies on rough seas. They are plugging gaps, reacting to peaks and flows in demand, and allocating resources according to the shifting sands of customer fancies.

FLEXIBLE DEMAND

But companies can't invest for peaks in demand all year round; it would bankrupt them. They need the flexibility to call in the cavalry as circumstances change, paying more when more is required and scaling back when the coast is clear.

In the business, they call this process on-demand outsourcing. Its growing appeal is evidenced by the range of organisations using it, from large companies anticipating workflow peaks to smaller ones strategically employing it to help them try things risk free.

"Businesses increasingly turn to outsourcing for a variety of reasons," says Jeremy Payne, a director at Enghouse Interactive. "For many it serves as a low-risk way of scaling

their enterprise while they prove the success of a new business model or evaluate a new market, product or sales approach. Others look at it as a way of effectively paying as you go as opposed to making larger capital investments up front."

A company launching a popular new product will need to create temporary capacity to deal with a surge in demand. That could mean extra warehousing, logistical support, call centre personnel, computing power and even more salespeople.

And suppliers are increasingly happy to help take the strain. Technology business VMware offers its customers an IT boost when and where they need it. General manager for cloud services Gavin Jackson says there is a range of reasons for growing demand.

On-demand doesn't have to mean last minute, and many buyers of services are adopting a strategic approach to scaling up and down through third parties

He says: "Having immediate access to on-tap computing resources is essential, whether it means entering a new geographical market, supporting more mobile business users or planning ahead for resource-intensive peak business times, such as the Christmas sales in retail, online tax returns in government and other seasonal peaks."

Even Amazon is getting in on the on-demand act. It has launched a "print on demand" service for publishing companies that suddenly experience unexpected surges in demand due to world events, celebrity endorsements or changing trends.

"We offer this service to publishers as a way of guarding against this type of unplanned demand, ensuring that books can remain in stock for customers when physical inventory

may not be available," says Amazon's Javier Rosales. "Print on-demand means we can print the book when the customer order comes in, which allows us to fulfil customer orders as normal, even if the title is not on the shelf."

COMPETITIVE MARKET

Despite its growth, the ecosystem for on-demand outsourcing is relatively immature and new entrants appear all the time. These range from large players that have diversified their services, to smaller niche businesses winning new clients with their "safety-valve" offering.

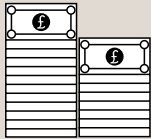
"The abundance of options is making this a really competitive market," says Radiant Law's Andrew Southerland, who advises companies on outsourcing contracts. "Ultimately, customers are benefitting through suppliers having to price really aggressively in order to win new business. This is true across all sectors, but especially so in retail and financial services."

Ironically, brands using the on-demand vehicle most effectively are those that predict future trends and plan. On-demand doesn't have to mean last minute, and many buyers of services are adopting a strategic approach to scaling up and down through third parties.

Jeremy Vernon, director at Core Fulfilment, says: "Brands who know their customers well and understand their buying behaviour will obviously be able to plan better. Questions to ask include do they buy what they need in advance or are they last-minute shoppers and will they purchase one-off items or buy in bulk?"

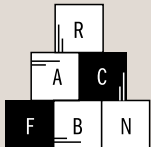
"Using all the information you have about your customer base to forecast the correct level of stock, human resources or machinery is key and is something an outsourced fulfilment partner should help its customers to achieve."

HEAVY USERS
OF ON-DEMAND



BANKING AND FINANCIAL SERVICES

Increasingly reliant on IT, financial services are a major buyer of third-party tech services



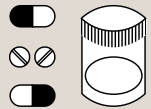
TEACHING AND CHILDCARE

Organisations regularly outsource to fill gaps in temporary and non-core teaching staff



HOSPITALITY

Seasonal surges during summer and winter breaks mean activity within leisure businesses must ebb and flow annually



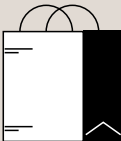
HEALTH AND SOCIAL CARE

Services such as care homes that are rated "good" often experience a surge in demand when local rivals criticised



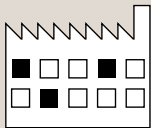
LOGISTICS

Businesses at the end of a supply chain need transport companies to be flexible in meeting demand so, like their clients, logistics firms need to be able to expand and contract with demand



RETAIL

Seasonal surges in demand, most recently with Black Friday, call for enhanced capacity across the board in areas such as IT, sales staff, customer services and stock provision



MANUFACTURING

Companies must react to the impact of new clients and sudden bulk orders



Return on Investment

MEASURING THE RETURN

How can firms know whether outsourcing is really delivering value for money?
Rebecca Brace has some useful tips

Any outsourcing programme is put in place with specific objectives in mind. However, once the programme is up and running, companies do not always determine whether the expected benefits have actually been delivered.

“A lot of time and energy is spent on building a business case and working out the savings, but I don’t think people always go back and ask whether they have achieved their goals,” says Matt Bennett, a partner at law firm Olswang.

When companies do ask the question, all too often they find that their outsourcing arrangement has not delivered the expected benefits. In a recent outsourcing survey by Deloitte, for example, over half of respondents reported lower than expected cost-savings. And research by Mood International found that on average respondents believe outsourcers deliver 85 per cent of the financial return promised.

Understanding the return on investment (ROI) is becoming even more central as companies’ outsourcing strategies evolve. Paul Cash, managing director of Fruition Partners UK, says where IT outsourcing is concerned, there is a growing trend for businesses to use a number of niche outsourced services rather than one large outsourced contractor for all their IT services.

“As such, a failure of one outsourced function can result in a serious knock-on effect for the rest of the IT ecosystem,” he says. “Businesses, therefore, must approach outsourcing as an end-to-end process that requires considerable attention.”

One fundamental obstacle is that the benefits of outsourcing can be difficult to quantify. Cost savings themselves are unlikely to pose a challenge as comparing the actual and expected financial savings delivered should be straightforward. But other benefits, such as risk mitigation and the freeing up of in-house staff to focus on value-adding activities, can be less easy to measure.

Digital marketing agency Kurve, for example, uses an international network of freelance workers. The value of these outsourced staff is calculated by looking at not only the hourly rate paid to staff, but also the company’s time invest-

ment in identifying, training and managing workers. “The ROI for us is defined as how many extra man hours we are able to create for our senior-level staff by using outsourcing to do the low-skill level work instead,” says managing director Oren Greenberg.

In practice, the way in which ROI is calculated will depend on decisions taken at the beginning of the outsourcing relationship. First and foremost, companies need to understand the status of their existing processes before they begin tendering for an outsourcing project.

“How can you ask a supplier for a precision bid without a detailed articulation of the current service delivery model?” asks Jim Reed, director of procurement at the University of Nottingham. Without a clear understanding of the current service delivery model, he adds, companies will not have the information they need to predict and agree an ROI, let alone know whether it has been achieved further down the line.

COST-BENEFIT ANALYSIS

Before activities are outsourced, a cost-benefit analysis should also be carried out on the proposed arrangement to understand the expected ROI. On the cost side, companies should be aware of certain factors which are often overlooked. Tom Mulvaney, managing director at managed services firm Networks First, says companies need to confirm whether any quote they receive from an outsourcer is an all-inclusive price or whether other costs may be added on later.

“Another specific area often overlooked is the inclusion of retail



Qualitative factors may be harder to measure than quantitative metrics, but these may be the factors that ultimately determine the success of the outsourcing arrangement

price index increases and how they are calculated,” he adds. Companies should also determine how the pricing on longer-term outsourcing arrangements will change depending on how the company’s business expands or indeed contracts.

Companies will then need to cal-

culate the value of the benefits and subtract these from the costs to calculate the overall value of the arrangement. Mr Mulvaney says that areas to focus on include the ability to control capital costs by converting fixed costs to variable costs, any reduction in overheads and the freeing up of internal resources to focus on core competencies. In addition, he says, outsourcing can create a more level playing field by enabling firms to access the same high-level expertise that big companies can retain on their staff.

The next step is to agree how the benefits will be measured. Qualitative factors may be harder to measure than quantitative metrics, but these may be the factors that ultimately determine the success of the outsourcing arrangement. Mr Reed points out that ROI is not just a financial number. “It should take into account value delivered, management hassle removed, innovation delivered and a view on any competitive advantage, or IP gained or relinquished,” he says.

QUALITY OF SERVICE

These qualitative factors can make or break a relationship. Some 48 per cent of respondents to the Deloitte survey said that while vendors may have met contractual obligations where costs and service levels are concerned, the overall quality of service still suffered.

Oliver Colling, chief financial officer services lead at consulting firm North Highland, cites the example of a social housing provider that had outsourced its maintenance provision to a third-party provider. “On paper, the financial performance was spectacular and showed a huge saving on in-house provision, but the service received by tenants was substandard,” he says. The relationship was terminated as a result, even though the provider had met their financial performance requirements.

With the expected benefits pinned down, companies need to check whether their outsourcing arrangement actually delivers the deal by carrying out a regular ROI audit; an annual review should suffice. Working with accurate and complete data is essential.

“Very often, partial data is used to audit the financial benefits. The total

cost of ownership pre and post-deal need to be considered to get an accurate view of savings delivered against the plan,” says Antonio Russo from Deloitte shared services and business process outsourcing advisory. “Of course, the quality of the data and level of granularity are key to provide the best outcome.”

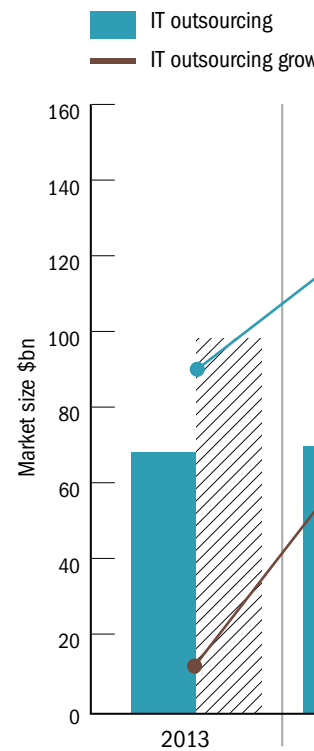
Finally, while ROI auditing provides clear benefits to companies which use outsourced services, companies should bear in mind that this type of exercise can also benefit the providers themselves. “It’s in the supplier’s interest to encourage an annual review of the benefits of the relationship,” concludes Olswang’s Mr Bennett. “The cost-savings are realised when the contract is signed, but three years later people may have forgotten what the original and ongoing benefits are.”

ROI GUIDE

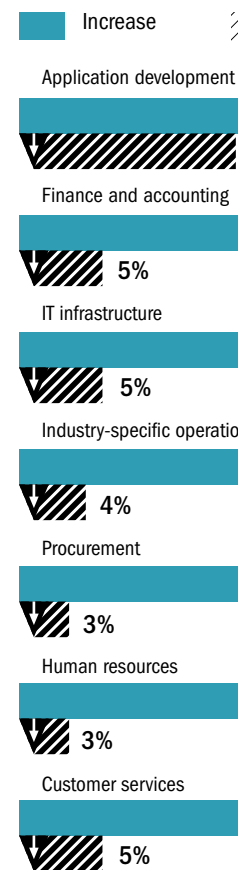
- Understand your existing processes and outsourcing requirements in detail at the outset
- Conduct a cost-benefit analysis, taking into account hidden costs and qualitative benefits
- Agree the metrics that will be used to measure success with the outsource provider
- Conduct a regular ROI audit using accurate and complete data

STATE

EMEA OUTSOURCING MARKET 2013

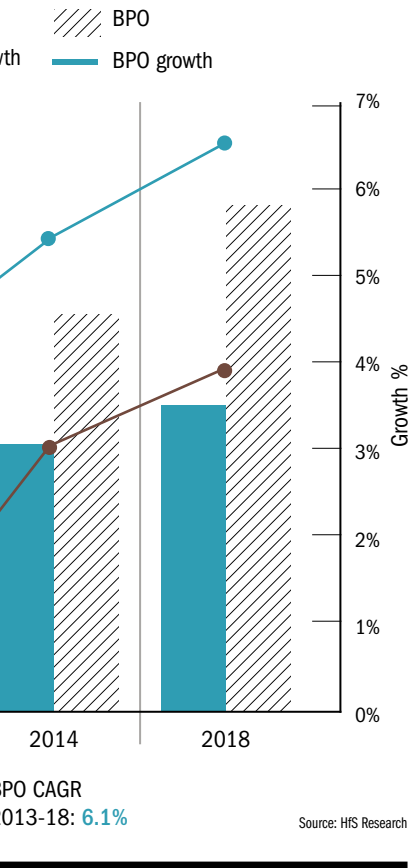


HOW WILL YOU OUTSOURCE THE NEXT YEAR?

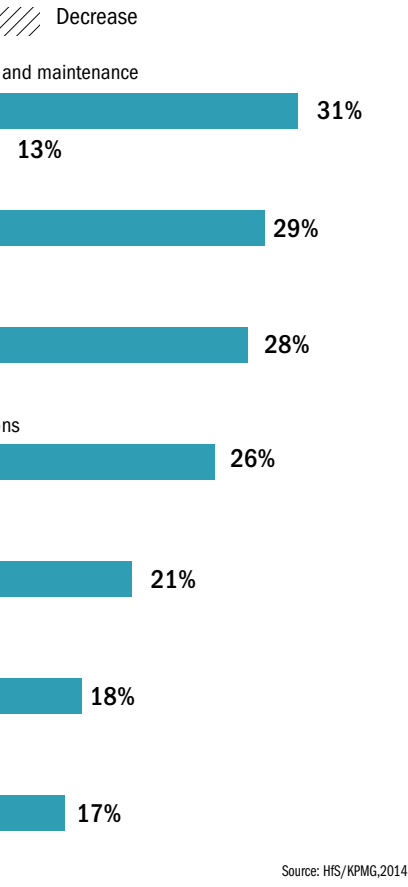


OF GLOBAL BUSINESS OUTSOURCING

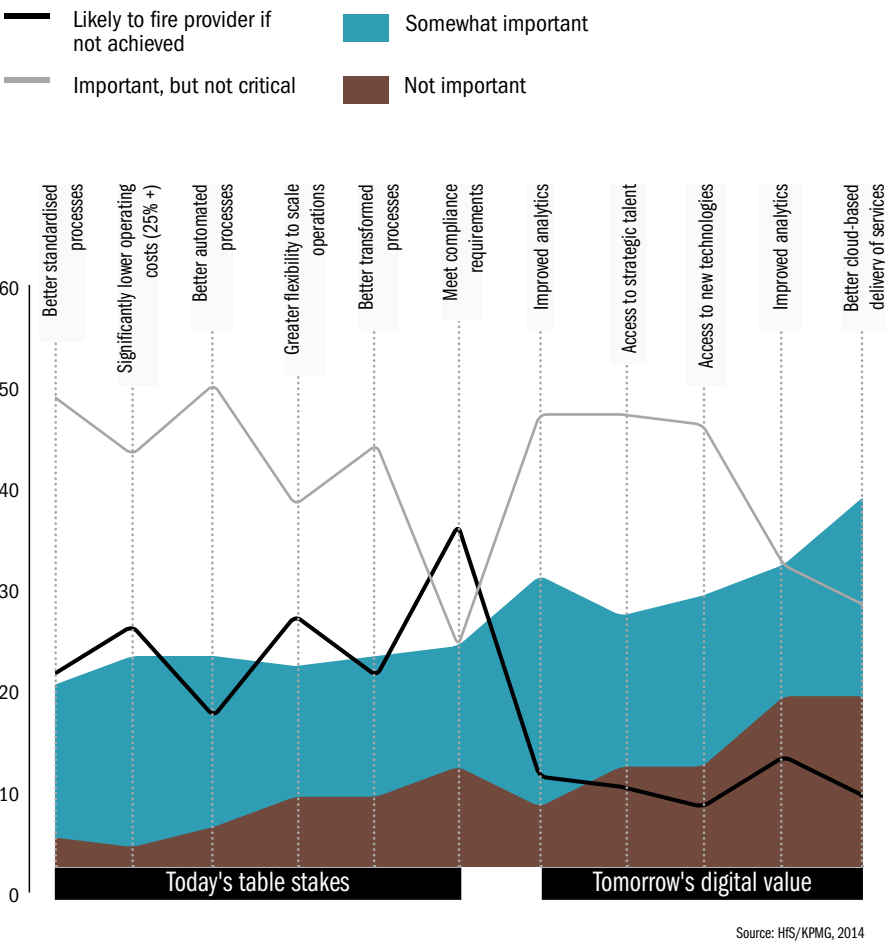
OUTSOURCING -18



OUR LEVEL OF G CHANGE IN R?



HOW IMPORTANT ARE THESE BUSINESS BENEFITS FROM YOUR OUTSOURCED IT AND BPO?

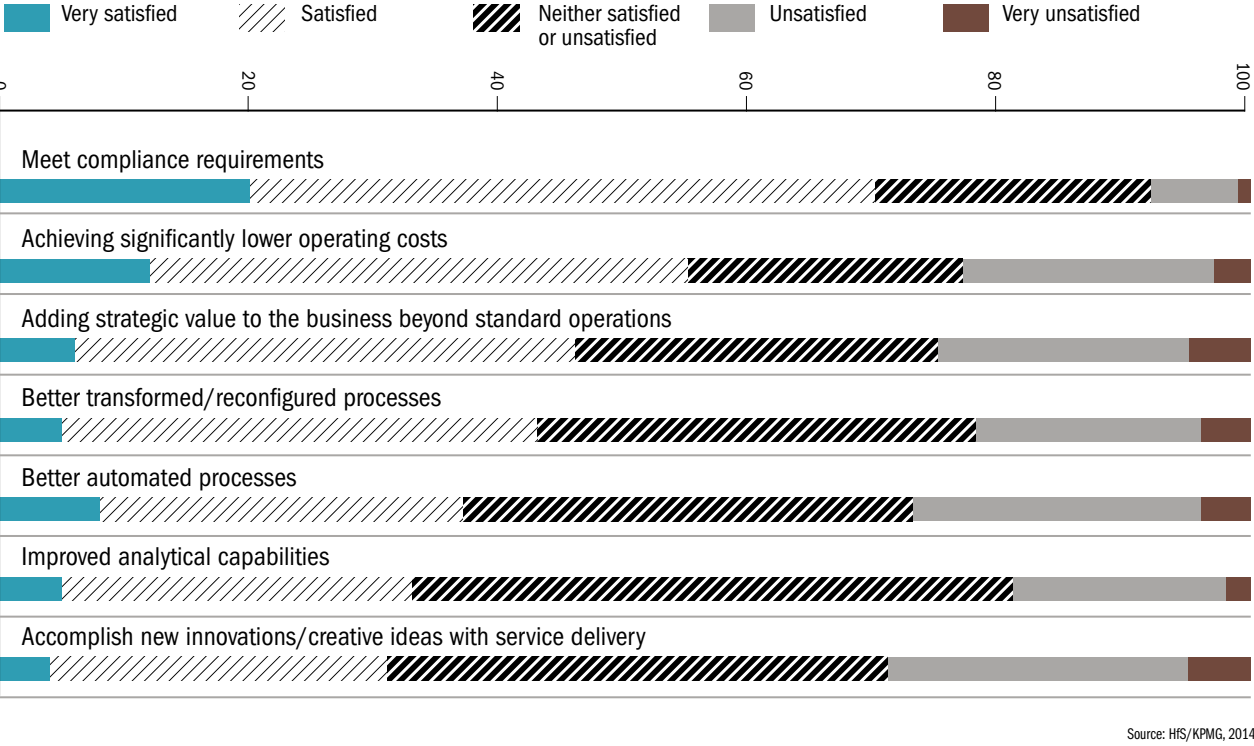


2015 TOP 15 OUTSOURCING DESTINATIONS

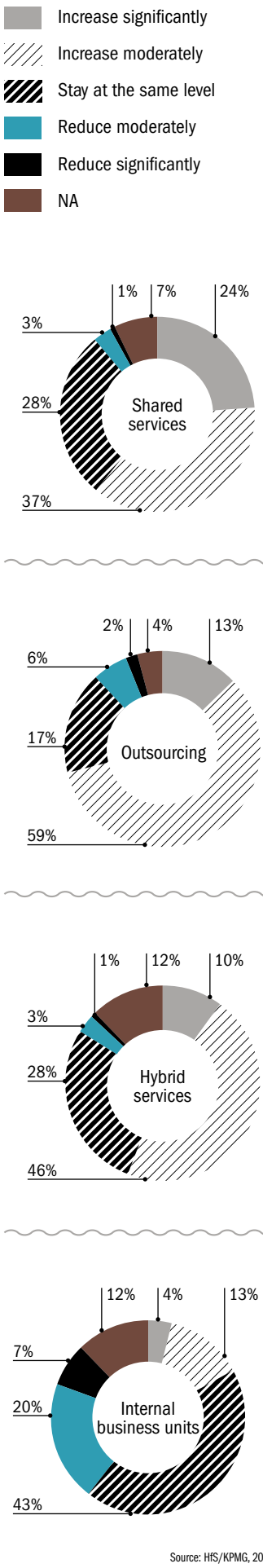
Rank in 2013	Rank in 2014	Destination
1		Bangalore, India
2		Manila, Philippines
3		Mumbai, India
4		Dehli, India
5		Chennai, India
6		Hyderabad, India
7		Pune, India
8		Cebu City, Philippines
9		Krakow, Poland
10	11	Shanghai, China
11	13	San Jose, Costa Rica
12	10	Dublin, Ireland
13	12	Beijing, China
14		Dalian, China
15	16	Prague, Czech Republic

Source: Tholons, December 2014

HOW SATISFIED ARE YOU YOUR COMPANY CAN ACHIEVE THESE OUTCOMES WITH OUTSOURCE PROVIDERS?



WILL YOU INCREASE OR REDUCE RELIANCE ON THESE OPERATING MODELS?





Commercial Feature

Software development talent 3.0: the best of both worlds

The latest offering in the world of software development enables clients to expand their existing capability using a unique combination of resources available to hire locally and near-shore. You can hire top-quality, highly experienced people at a very low total cost and achieve the productivity you need to enable you to deliver your business requirements



CIKLUM
EMPOWERING COLLABORATION

It's a challenge that is facing businesses around the world. How do you find talented, experienced and committed software developers to deliver your business objectives on time? Not only that, but how do you do this in a way that fits within your budget and ensure, with greater than ever competition for this talent, you retain your best people?

Outsourcing meets many of these objectives but, crucially, not all. "Clients have had to move away from developing their software in-house with people who are emotionally linked to their business, and use the same tools and processes to drive efficiency and productivity," says Gary Butters, managing director, UK and Ireland at Ciklum, a multi-award winning software development partner with more than 12 years' experience.

"Due to resource availability constraints or to the need to reduce costs, businesses have had to use a third party's resources which leaves them to manage outcomes in a way that is totally against today's software development best practices," he says. "If they could find the talent with the right skills at the right cost, everyone's choice would be to hire their own employees and locate them in their offices – nobody's first choice is to outsource."

It's this dilemma that led Ciklum to create a new and unique business model. Their Own Development Centre allows clients to hire their own software development staff in a combination of on-shore or near-shore and, crucially, to manage them directly.

"We help our customers find, hire and retain the resources they need to deliver their business objectives," says Mr Butters. "We can host this talent in our state-of-the-art development locations or in their offices. This unique combination offers flexibility and reduced cost, but the key point is that these are your people and they work for your business not for a third party. You hire them, you decide how much each one is paid, they are part of your team, aligned to your business culture and you can fully integrate them with the whole company."

Some 200 clients are using Ciklum Own Development Centre model to

develop their core business applications, and to optimise and improve their existing platforms. It allows them to build sustainability with minimal investment, while offering scalability and flexibility that evolves as markets shift. Ciklum has nine high-quality facilities across Eastern Europe and is frequently voted best local IT employer.

"It's obviously lower cost to employ people in Eastern Europe and many IT experts don't want to leave their families behind to move abroad for work," says Mr Butters. "With the help of our 90-strong in-house specialist recruitment and retention department, we can identify and attract the brightest IT talent, plus offer access to our database of 65,000 CVs.

"We then help select the best people to meet their business goals. To date we've helped our 200 customers hire and retain more than 2,800 of their own people. We'll put together a short list based on their requirements, and then handle contracts and every aspect of recruitment and retention. We do this for a flat fee, whatever the salary or however long the contract."

With its knowledge and experience of IT talent across Eastern Europe, Ciklum takes care of important details such as providing comfortable, well-appointed offices and paying in dollars rather than local currency, something that always appeals to software professionals. On the other side of the equation, Ciklum's customers appreciate the fact that, because of its unique model, the focus is on their business objectives and not Ciklum's.

"The challenge to locate, recruit and retain the best IT talent is hotter than ever. We've seen recruitment companies set up coffee stalls outside offices as a way of striking up conversations with bright young developers with a view to recruiting them," says Mr Butters. "Meanwhile, the need to maintain flexibility and keep costs down is unrelenting."

"We believe that you don't have to choose between the positives of in-house development and the risks of having someone else's employees do it for you. Ciklum's Own Development



We believe that you don't have to choose between the positives of in-house development and the risks of having someone else's employees do it for you

Centre model allows you to hire the talent you need in the location you need it to expand your existing team and deliver your business objectives – the best of both worlds."

For further information please visit www.ciklum.com or e-mail ciklum@ciklum.com

JUST EAT: INGREDIENTS FOR SUCCESS

JUST EAT plc is the world's leading online takeaway ordering service, operating in 13 countries around the globe and processing more than 40 million orders in 2013, while generating nearly £700 million in total transaction value for the restaurant industry. The company was interested to see whether it could augment its London team by tapping into Kiev's highly regarded talent pool. "Ciklum's outstaffing model is different from the more traditional approach and requires us to lead the team, not just manage a supplier," says JUST EAT. "The outcome is a more loyal, aligned and stable team which proves to us that we made the right decision."

"In the past year, we have achieved the necessary confidence to grow the team from seven to twenty three. Our team in Kiev are personally committed to the success of JUST EAT. They have great domain knowledge, and are familiar with our tools and processes. Critically, the team is aligned to our global purpose and company values – a vital ingredient for an effective, long-term collaboration."

JUST EAT

HOW MUCH OUTSOURCING IS HEALTHY IN THE NHS?



The NHS last year spent 5.9 per cent of its budget on outsourcing

Image: Getty

Opponents of outsourcing in the NHS are passionate in their criticism of private-sector involvement. **Charles Orton-Jones** investigates

The NHS and outsourcing have an uneasy relationship. Lately it's been getting worse. We recently had the People's March for the NHS, campaigning against outsourcing, and drawing 5,000 people as it completed the 300-mile final leg into London. Lobby groups such as 38 Degrees and Keep Our NHS Public fight hard against private-sector involvement.

And the unions? Their opposition to outsourcing in the NHS could be described as fanatical.

Then came the failure of Circle's healthcare partnership at Hinchbrook Hospital as evidence of what can go wrong. A scathing report by the Care Quality Commission rated Circle's management of the Cambridgeshire hospital as "inadequate". Children arriving at A&E were left "potentially unsafe" by lack of supervision at times. Patients told inspectors of being neglected by nurses.

Game over? Not quite. The NHS budget of £115 billion in England alone will mean the private sector won't back off for long. And they may be invited back by necessity.

The NHS needs to find an extra £30 billion by 2020 or face financial chaos. Fans of outsourcing say it may be the only way for the NHS to survive. After all, private-sector firms depend on outsourcing to cope with cost pressures, demand spikes and new products. In a sense the NHS is already committed to outsourcing. Every stethoscope, CT machine and every single drug is procured from the private sector.

So is outsourcing on the wane in the NHS?

The data says not. The percentage of NHS budget claimed by outsourcers has risen year after year and shows no slowing. In 2006-7 outsourcing stood at 2.8 per cent of

all services and rose steadily to 5.9 per cent last year.

Labour shadow health minister Andy Burnham has promised to redefine the role outsourcing will play should Labour win the general election in May. He says "there is a role for the private sector" and refuses to rule out the private sector from any part of the NHS. However, he sees the private sector as a supplementary facility to add capacity in a supporting role.

His objection to outsourcing? He says: "The market is not the answer. Why is not the answer? Because the market delivers fragmentation of care and the future demands the opposite, it demands integration of care. We need to free up the NHS to integrate, to partner, to merge, so it can make services, change services and make them affordable."

Notably, he declines to place a figure on the correct figure which should be outsourced. "There isn't a right percentage," he says, stating that the decision to use providers should be made by clinicians based on patient need.

SWEDISH EXAMPLE

What Mr Burnham hasn't said is that a similar approach in Sweden led to a huge rise in private-sector care. In Sweden, patients can choose to visit a private-sector GP, be referred to a private specialist and stay in a private-sector hospital – all at taxpayers' expense. The centre-right government in Sweden, in power from 2006 to 2014, permitted the sell-off of some of the best hospitals to the private sector. More than a quarter of Swedish primary care clinics are run by the private sector.


Sweden differs from the UK in a few important regards. The Swedish system delegates decisions to local government authorities, the 290

municipalities in 21 counties. They take care of provision and financing. Healthcare can account for 90 per cent of council activity. More than 70 per cent of funding comes from local taxation.

Top Tips

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Neither the Liberal Democrats nor the Conservatives openly support the Swedish level of private-sector involvement, but nor do they rule it out. The Lib Dems' approach, explained in their 2014 *Consultation Paper 119*, demands more transparency and accountability from public-service providers as the proviso for continued private-sector involvement.

The Tory mission is to separate two issues in the public's mind: that of who pays and who provides. Health secretary Jeremy Hunt's speech to his November party conference focused on this theme: "Using a charity like Whizz-Kidz to supply wheelchairs to disabled children or using Specsavers to speed up the supply of glasses is not privatisation," he said.


The real opposition to outsourcing in the NHS comes, then, not from the three traditional parties (nor from UKIP), but from a broad alliance of lobbyists, newspaper columnists and medical professionals who demand the current 5.9 per cent figure is reduced.

The Green Party is a vocal part of this alliance. Leader Natalie Bennett declared last year: "The profit motive has no place in the health-care system. And we will not rest until we've expelled every last cor-

porate bloodsucker from our NHS."

Jillian Creasy, a former GP and the Greens' health spokesperson, spells out why she and her allies are so opposed to outsourcing in the NHS: "The only way I can put it is that the NHS is a public service. I just think the ethos in what is generally a public service is very different to the marketplace."

Intriguingly, Dr Creasy acknowledges that the NHS sources all drugs and all diagnostic tools from the private sector. "That is very true," she says. "The extreme case would be communism. I don't think we want to go that far. There is some place for innovation. But it is in the provision of the service, when it comes to seeing patients and the step behind it – deciding what can be done – that needs to be in a publicly run service."

 **The NHS budget of £115 billion in England alone will mean the private sector won't back off for long**

And what about social enterprises? Can they run public services? "I think there are two issues," she says. "One is that a social enterprise is, in my view, better than a privately owned or shareholder-owned company as it is non-profit making. So NHS money is not leaking out into shareholders profits. With social enterprises we can assume, if it makes a profit, money is recycled back in."

If outsourcers wish to tap into the NHS budget and help the service make the cost-savings it needs, it is the likes of Dr Creasy they need to take on. It will be a tough job. **R**



Commercial Feature

Outsourcing driving innovation

Outsourcing is leaving old preconceptions behind and showing how innovative it can be. This presents both challenges and opportunities for outsourcing providers and their clients



Many companies are now using outsourcing to drive innovation, rather than using it for narrower goals such as cost reduction, according to a new report from outsourcing adviser Aecus, formerly Alsbridge plc.

Following a survey of business leaders and decision-makers, 83 per cent of respondents say they have witnessed innovation within their outsourcing relationships, with 92 per cent noting that their partners are keen to adopt new approaches to drive innovation.

This innovation is taking many forms, from incremental continuous improvement to project innovation (joint client-supplier projects), radical innovation (a major change to the service, underpinned by a new deal) and business innovation (which generates new ideas to improve the client's business).

"This is a significant development in the evolving relationship between outsourcing companies and their clients," says Paul Morrison, head

of outsourcing innovation at Aecus. "It shows how outsourcing providers can offer new value to their clients, and how clients can benefit from the experience and knowledge of those partners. Perceptions are rapidly moving on from the old caricature of outsourcing as static and focused on 'your mess for less'."

Why is this happening now? "Outsourcing buyers and sellers have grown up. Buyers show more appreciation of what suppliers need to make a deal work. Suppliers are in a competitive market and are looking for new ways to work with their clients – and it just happens that a whole suite of emerging technologies is out there to be used," says Mr Morrison.

He highlights two areas in which innovative outsourcing is making great strides: analytics and robotics. With the rapid growth of big data, clients are working ever closer with their outsourcing providers to make better decisions using analytics. According to research from Aecus, nearly half



Robotics offers the next wave of efficiency improvement and this could be the biggest change to the services industry for the next 20 years

(46 per cent) of organisations have already implemented analytics in their outsourced operations.

"Take a call centre function," says Mr Morrison. "These days an outsourcing partner can do much more than just handle the calls. The supplier is sitting on vast streams of data about customer behaviour and preferences, and the opportunity is there to convert this into recommendations about how the client's products and services are delivered."

"Or take an outsourcing provider that maintains a website. Analytics

can provide insights into how people use the site, addressing where visitors drop out without making a purchase. The outsourcer can be part of improving the client's business, rather than just running the back office."

Another major innovation that is being driven by outsourcing is robotic process automation (RPA). "The cost benefits of outsourcing and offshoring have already been realised by many companies. Robotics offers the next wave of efficiency improvement and this could be the biggest change to the services industry for the next 20 years," says Mr Morrison.

Essentially, RPA is the use of smart software to replicate process work previously done by humans. It differs from "normal" automation because of the speed of deployment and the use of specialised software to quickly replicate laborious manual work, such as data entry, report checking and form processing. Aecus has found that around a third (32 per cent of companies have already implemented robotics

while nearly half (44 per cent) plan to do so over the next three years.

Respondents to the survey noted that innovative outsourcing is driving a range of business outcomes other than cost reduction. Some 54 per cent of respondents have experienced improved customer satisfaction through outsourcing, 48 per cent have experienced revenue growth and 45 per cent experienced reduced risk.

This new era of innovative outsourcing is reflected in the Aecus Innovation in Outsourcing Awards, which recognised the achievements of 19 organisations such as Airbus, BT, GSK and Shop Direct.

"Outsourcing can be an engine of innovation," says Mr Morrison. "Outsourcers and their clients are under pressure to achieve more and, by working together with the latest technology and techniques, innovation is possible. Our research and the Aecus Innovation Awards show how much is being achieved."

However, he adds a warning. "Old habits die hard and innovation is still a challenge to both parties. Outsourcing providers need to ensure that they're constantly developing their capabilities in emerging practices and technologies. Meanwhile clients need to ensure they have the right skills, incentives and governance in place, otherwise innovation will not get off the ground. There needs to be a dynamic relationship between the two parties."

INNOVATION IN OUTSOURCING: THE FIRST THREE STEPS

1. Defining innovation

While precise definitions will vary, the key is to recognise that innovation takes many forms in an outsourcing context. Aecus typically breaks innovation into four basic forms: continuous improvement, project innovation, radical innovation and business innovation. Each type of innovation has different goals and requirements, and by segmenting the innovation opportunity, rather than lumping it all together, the chances of success are significantly increased.

2. Funding innovation

Once you have defined innovation, and agreed this with your partners, you need a way to pay for the effort and investment to make it happen – innovation does not happen for free. The funding mechanism will vary according to the specific type of innovation in question, but the most common approaches are either a fixed price (a long-term "bet" by

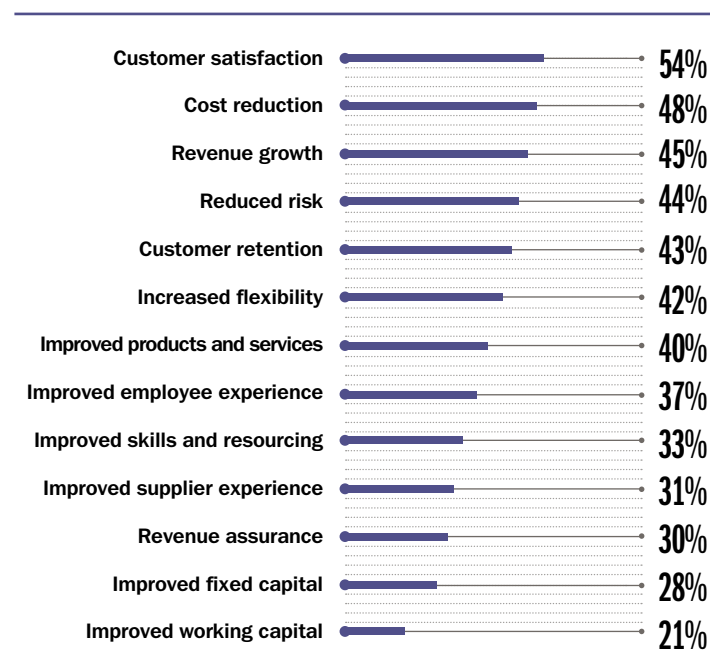
the supplier that they can deliver the innovation, typically focused on cost-reduction innovations) or gain-share (a mechanism for apportioning the benefits of the innovation between client and supplier when they reach a target level, which is suited to both cost-reduction and revenue-growth innovations).

3. Getting the right enablers in place

The Aecus Innovation Awards have shown many common ingredients in the recipes for innovation success. Broadly they fit into three categories. Firstly is the right framework in place, such as the right supplier(s), the right contract and suitable governance? Secondly are good ideas being created, whether through research, benchmarking or by listening closely to your customers? Thirdly can you implement your ideas, by decisively filtering out weaker projects, bringing in the expert skills required to change and through active executive sponsorship?

WHAT BUSINESS OUTCOMES HAVE YOU ACHIEVED THROUGH INNOVATIVE OUTSOURCING?

Percentage of survey respondents



Source: Aecus

ABOUT AECUS

Aecus (formerly Alsbridge plc) is an award-winning consulting firm that helps clients to get great results from outsourcing, offshoring and shared services. It helps clients by bringing deep-domain expertise supported by the best current market data. Aecus ensures clients avoid the pitfalls and maximise the benefits, developing sourcing arrangements that take advantage of the best the market has to offer.

Aecus is currently receiving submissions for the 2015 Aecus Innovation in Outsourcing Awards

twitter@MorrisonPaul1





Opinion

REASONS TO OUTSOURCE

Raconteur asked three company executives why they chose to outsource a core business function



GEOFF ANDREW

Managing director of office designers Oktra

We are an award-winning design and build company in London, delivering sustainable office interior design to help businesses enhance their brand and working environments.

In 2006, following a management buy-in, we decided to outsource the management of all our IT systems to IT services provider Exec Sys.

The key drivers for this move were to reduce overall IT costs, remove the need for expensive in-house resources and benefit from the latest technologies to further improve operational efficiencies and ultimately service delivery.

Since then, Exec Sys has managed, upgraded and supported our entire IT infrastructure that has helped sustain our rapid 90 per cent, year-on-year growth and a rise in staff from ten to seventy four. Outsourcing has also helped us utilise the latest technologies, including server virtualisation and mobile computing capabilities. The benefit of having an expert

third party running our entire IT systems was perfectly illustrated when we experienced the Cryptolocker virus. Exec Sys used some clever recovery systems that enabled our business operations to swiftly resume in several hours rather than many days.

Overall, using Exec Sys has significantly enhanced our working efficiencies and saved us IT costs of up to 60 per cent, compared with running IT in-house. Critically, outsourcing IT has also helped us to focus on and optimise our customer service delivery.

Exec Sys is essentially our IT department, and cover all areas of our technology and communication needs. Over the past eight years they have provided a consistently stable, secure and evolving technology platform, enabling our team to focus 100 per cent on running the business. We also have access to Exec Sys' deep levels of IT expertise, support and advice which is reassuring for our staff.



JAMES HEARNE

Head of customer experience at online estate agent, Purplebricks.com

To support our customers we wanted a team of experts within our property centre who could provide support to our customers 24 hours a day, seven days a week. We evaluated a number of options including delivering the service in-house or using an outsource partner.

Outsourcer Ventrica were initially recommended to us and, after a number of visits to their Southend operation, we were convinced they would be the right partner. What stood out most for us was the quality of staff and their flexibility.

At the beginning, Ventrica's team started by responding to support calls and live web chats from customers who had questions about navigating our online Ezie platform and liaising with our network of local property experts. However, as our business has developed we have recognised the additional knowledge and value that they can bring to the table as they now get involved in pretty

much every aspect of both our residential sales and lettings.

The end-game for using outsourcing has been to make the customer journey as smooth as possible, so that ultimately they can buy, sell or rent a property. This has certainly been achieved, plus we can also create additional value from cross-selling other products, such as mortgages or legal advice, through our approved partners.

With outsourcing, we can offer the customer the choice of interacting on any channel they wish, whether it's via the phone, web chat, e-mail or social media. Offering choice can be hugely beneficial both for us and the customer because, if we can't offer the right channel at a specific time, then they may go elsewhere.



ADAM TWIDELL

Managing director of private jet service PrivateFly

As an online private jet booking service, the brand identity of PrivateFly is extremely important. But outsourcing is a key part of our strategy.

Technology is at the heart of our business and, as a disruptive business model, we have a strong central team, but bring in the widest possible technical insights and expertise to keep innovation at our core.

A key area is our web and app development team. This is outsourced to a company based in India, QBurst. We have worked with them now for nearly eight years.

The initial reason was for cost. As a start-up, PrivateFly's launch was funded by its co-founders selling their home. But both PrivateFly and QBurst have grown side by side into much larger companies, and the outsourcing benefits outstrip just the financial savings.

The developers give a wider technical insight, with the QBurst team calling on a much wider pool of resources and

learning from other projects.

We also benefit from the flexibility to scale up and down quickly when we need resources for certain projects, removing recruitment hassles for PrivateFly.

Time difference is also an advantage for our business. The developers can make technical uploads in the middle of the night (European time), then the UK team can come in and pick up in the morning.

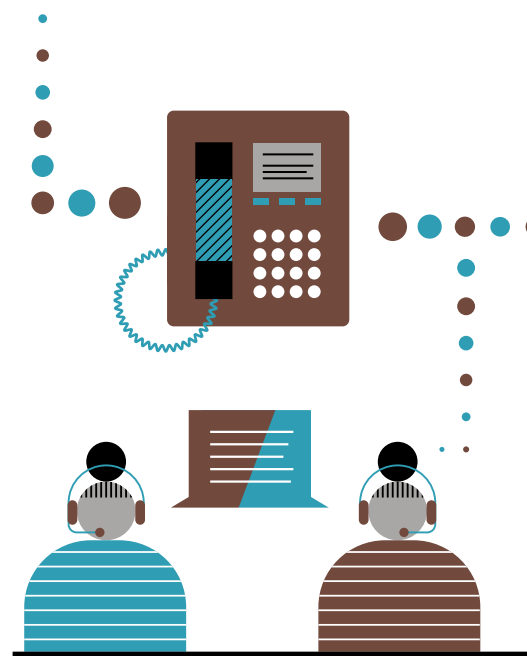
We also make an effort to develop individual relationships with our development team at QBurst and make them feel part of PrivateFly. Our UK senior management make regular visits to India.

We've worked hard to achieve a successful balance between our in-house and outsourced resources, with strategy and leadership from our UK team, who manage the outsourced team closely. ■



Top Tips

10 WAYS TO SUCCEED



Ensuring outsourcing will have the desired outcome involves appropriate due diligence before signing a contract. **Chris Johnston** has some top tips for making the process as smooth as possible

ENSURE OPEN AND HONEST COMMUNICATION

Zurich Financial Services has worked with Capita, one of Britain's biggest support services groups, for almost a decade after agreeing a contract for administration services for its 1.9 million life insurance policies and pensions. Capita deals with some 155,000 transactions a month for Zurich and answers 86,000 phone calls. The partnership has been a success because both sides have effective relationships at all levels, not just among senior managers. Zurich's Paul Kenmir says: "We've very open and honest with each other, which means that when issues do arise they are resolved quickly and in an adult way."

WRITE A GOOD CONTRACT

Punit Bhatia, a consulting partner at Deloitte, says that when a company is embarking on outsourcing a process or activity, much thought needs to be given to what the contract stipulates and the various clauses it contains. However, a partnership that will benefit both parties depends on much more than what is written down. "If you are pulling out a 500-page document every time something is wrong, the deal is not going to work," he says. Boil it down to as few as ten pages so that everyone involved in the arrangement knows what is expected of them so they can focus on the outcomes, rather than the process.

PRICE IS NOT PARAMOUNT

There are a number of reasons why a business might decide to outsource, but saving money should not be the primary goal. Elance Online, a marketplace that helps small businesses outsource a wide range of projects, advises not to choose a contractor based on the bottom line alone: "Experienced buyers, who have outsourced many projects and evaluated hundreds of proposals, almost always recommend discarding the highest-priced and lowest-priced bid. Buyers report that their most successful projects are the ones where they felt the vendor offered a balance of good value and quality results."

DON'T ASSUME YOU KNOW IT ALL

It is easy to think that you, the customer, has all the answers. But consider that you may not be asking all the right questions. Deloitte's Punit Bhatia says that contractors usually have a wealth of experience and can assist their clients to make improvements in ways they might not have considered. "Seek their help and don't just treat them like a supplier – working together can result in a mutually beneficial arrangement for both parties," he advises. When a well-known electronics company, was striking a deal to outsource finance processes, its primary concern was ensuring the supplier felt empowered to challenge ideas it disagreed with, Mr Bhatia explains.

GET THE RIGHT PEOPLE ON BOARD

It's been said many times that an organisation is only as good as its people and this is even more the case with outsourcing. Consultancy arvato counts Microsoft, Universal Music and Toshiba as clients, and points out that an effective relationship depends on the right people, with the right skills and mindset, being involved on both sides of the deal. Debra Maxwell, arvato UK managing director, says the human dimension is far more important than things like key performance indicators. "Ultimately, it's the people who deliver the results and make the relationship work," she says.

THINK LOCAL

A few years ago, many manufacturers were turning to Asia or Eastern Europe to cut production costs. However, many businesses now find that offshoring is not the ideal option. Kiravans, a Yorkshire-based camper-van conversion company, developed a swivel base that allows bench seats to face the opposite direction, but its foreign prototype manufacturer was unable to handle commercial production. The company turned to Sheffield's PCT Metalmex, which was able to meet the quality standards Kiravans required. James Terry, PCT managing director, says: "The overseas rival couldn't match our hands-on approach and certainly couldn't offer the ability to respond quickly to changes or volume increases."



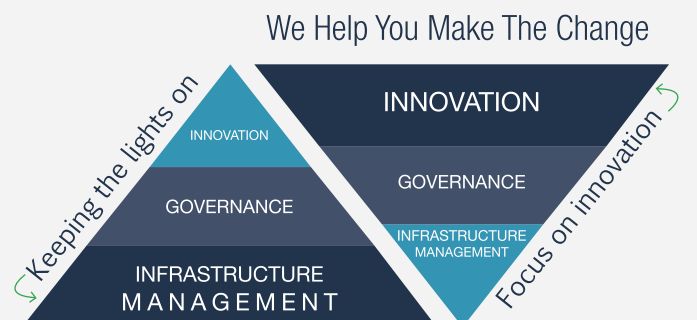
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THINK ABOUT THE
END AT THE BEGINNING

Like an army preparing to wage war, every company needs an exit strategy, because all outsourcing relationships, even the good ones, need to end sooner or later. Law firm Pitmans LLP advises that agreeing a handover process at the start can prevent many headaches down the road, particularly when it comes to IT outsourcing: “It is important to allow a reasonable period for a transition and upskilling of a new provider.” The firm also notes that payments for developing a website or a new computer system, should be staggered in the same way as a construction contract, for example, to give the contractor an added incentive to deliver on time.

OUTSOURCE FOR
THE RIGHT REASONS

Transport for London recognised at the start of the last decade that its existing IT systems were not able to cope with the challenges that it would face in the coming years. It also wanted to cut costs to invest more in service delivery. Rather than trying to address the complex problem in-house, it chose IBM to design and implement systems to run the London congestion charge scheme and low-emission zone. The partnership proved to be a win-win, with TfL reporting record customer satisfaction levels, as well as generating cost-savings of some £200 million over five years.

BENCHMARKING TO
STAY ON TRACK

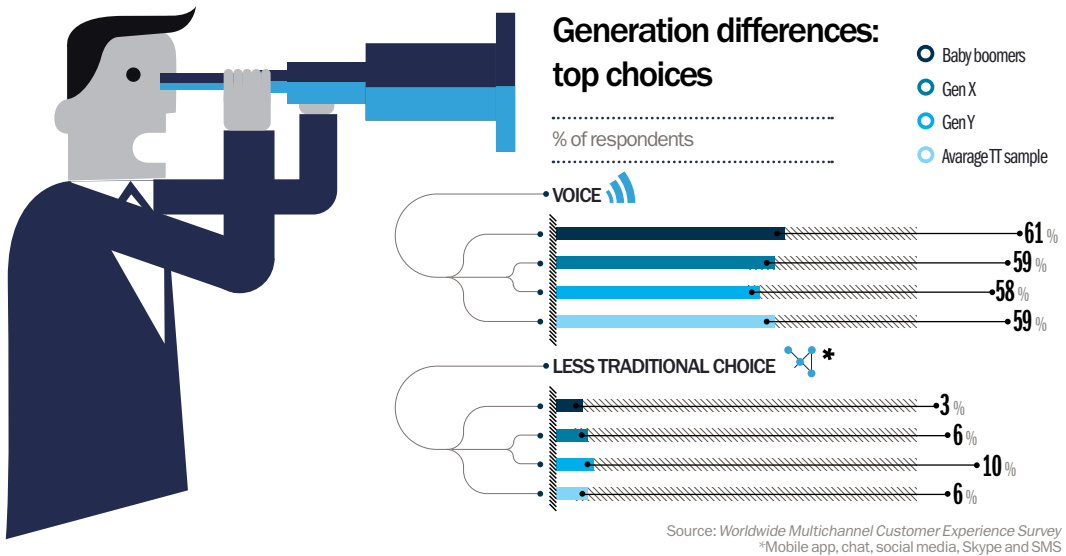
Any outsourcing arrangement needs a way to determine whether the supplier's performance is on target. However, benchmarking is rarely regarded fondly by a contractor, so it needs to be used along with other indicators. Nigel Hughes, a partner at Information Services Group, says benchmarking is most effective as a carrot to improve relationships between client and contractor, rather than a stick. “Then it can have significant value for both parties... and used over the life of the contract, rather than something that you pull because you are not happy at a certain point,” he says.

DON'T BE SURPRISED
BY NEGATIVE PUBLICITY

Any company planning to implement major change should be aware that it will not come without some degree of pain and critical headlines. For example, getting rid of large numbers of employees and replacing them with contractors is going to upset those workers who face losing their jobs, along with the unions that represent them. A case in point is Frontier Airlines, a Colorado budget operator, that announced last month it would replace a third of its workforce – some 1,300 people – with staff supplied by Swissport at Denver airport. The move attracted considerable negative media attention and trade union condemnation.

The Galileo moment

Customer experience is what's happening to your business while you are busy making other plans, says Teleperformance UK



Think of a brand, an organisation, commercial or private. Then think of the customers who collectively form the value pool – growth and profit – for these businesses.

We visualise the multiplicity of customer journeys and the infrastructure needed to support these, and facilitate customer's desired outcomes as a symbiotic relationship between consumer and corporation, individual and entity.

And yet, rather than that traditional model of customers orbiting a business, moving in and out of its sphere of influence, there is a “Galileo moment” coming when it will be recognised that the reverse is true. It is the customer who remains fixed in space and time, and it is companies that move in and out of the value orbit of the consumer.

This disruptive aspect to the life of an empowered, mobile and increasingly vocal customer base demands that today's chief executive and board of directors consider the experience of customers at every touchpoint to gain insight that turns loyal customers in an increasingly virtual world into advocates, while reacting quickly to new channel evolutions to retain market share, and discover and nurture new sources of revenue.

In our recent annual *World Wide Customer Experience Survey*,¹ we asked 69,000 participants in eight countries to rate their most recent customer service experience. The result showed an average of only 44.5 per cent were satisfied or very satisfied with their experience. At the same time, the survey also revealed the percentage of happy and loyal customers exponentially increases after a positive experience,

indicating on average a 33 percentage points improvement was possible in the overall perception of a brand.

Because customers now decide how they want to interact with a company and not the other way around, they expect to have access to information at any time. 4G-enabled mobile smart devices have changed everything. We are “instant gratification junkies”, says Anthony Macciola, chief technology officer of software business KOFAX.² “We want complaints and issues addressed immediately.”

Customer experience is fundamental to the future of consumer-corporate models

Our survey showed clearly that Gen X and Gen Y, born after 1965, are leading the adoption of online and social media channels through smart-device use, integrating them not only into their daily interactions with brands and businesses, but also into their life expectations, including those underpinning customer experience.

Technology is essentially changing expectations, not merely facilitating them. Forrester analyst Thomas Husson says: “Customers have experienced a mind shift. Technologies packed into mobile devices enable people not only to instantly consume, but also create and maintain control in their everyday lives.”³

This perpetuates a challenge for the near-future highlighted by the International Customer Management Institute in a survey of contact centre professionals. This identified that, while 68 per cent of companies think offering mobile customer service improves the customer experience, only 25 per cent have a mobile customer contact strategy in place.

Forrester surveyed customers as part of its study of Customer Experience (Forrester's CXi).⁴ The results show how much customers value an exceptional customer experience and how their future behaviour is likely to be impacted by their perception of a company's ability to provide a better overall customer experience compared to industry peers.

As Matt Sims, executive vice president business development Teleperformance UK and South Africa, explains: “Customer experience is fundamental to the future of consumer-corporate models. Today we support 50 per cent of Interbrand's Best Global Brands 2014.⁵ These are businesses that have put in place strategies including outsourcing in its various models that help ensure they are prepared for the future and the many potential benefits an ‘always on’ connected customer landscape will bring.”

In a world of big data and endless touchpoints, all customers truly want is an experience with a brand or organisation that says “we know who you are...” to which the customer can respond “... and I believe you”. This is the Galileo moment.

1 World Wide Multichannel CX Survey
2,3 Smarter CX for Smart-Device Users
4 The Business Impact of Customer Experience
5 www.teleperformance.com



A woman with dark hair, wearing a purple and white patterned top, is smiling and looking down at a white smartphone she is holding with both hands. The background is a warm, out-of-focus indoor setting with wooden elements.

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