Views from the top

JOHN MILBURN

General Manager, Bosch
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MIKE HESLOP

Founder, Centrex Services

In an age of online retail, travel bookings and banking, contact centre staff are often the first people a customer will engage with when communicating with a brand. Put simply, they have become crucial brand ambassadors.

Today's contact centre staff are highly educated, well trained and experts at turning a bad customer experience into a highly personalised and human piece of brand communication. The most effective contact centre employees are not only experts in complaints management, but have specialist industry sector experience along with exceptional communication skills. This standard is absolutely essential to delivering the highest level of customer service on behalf of a brand.

In addition, every customer issue needs to be approached with sensitivity and understanding. Every case needs to be treated individually and needs to be taken very seriously, because of the potentially damaging impact it could have to a brand. To effectively handle customer issues, it is essential to listen, understand the customer's situation and find a solution as quickly as possible.

The channels by which customers choose to seek support are changing rapidly. Service providers need to be ready to align highly skilled people with well thought out processes and the right technology to support them. Social media and social influence continue to drive real change in how customers choose to interact with brands and the acceleration of internet usage via mobile devices. This mobile convergence provides real challenges and opportunities; not only should service providers' websites be adapted for mobile usage, their support processes should be too.

BPO is an ideal solution for handling consumer affairs and crisis management. It is rapidly scalable and has the ability to quickly react to changing situations. It is also a great way of pre-empting issues by flagging up trends and clusters of complaints.

Over the coming years, contact centre employees will play an increasingly important role in helping to drive long-term loyalty between a brand and their customers.

Over the years businesses in the IT hardware maintenance and support sphere have been working to SLAs which have created an adversarial environment. This has left needless service delivery gaps within the industry, not to mention a disconnect with the client business objectives and expectations. The result is a culture of SLAs being created for failure, rather than success.

As IT maintenance and support industries have expanded rapidly with the burgeoning technology industry, they have developed with integral silos. These silos of service, which are created by the disjointed and complex relationship between hardware maintenance providers and suppliers, have resulted in a prolific on-going blame culture between suppliers. The varying elements of service delivery; diagnostics and scheduling, parts, logistics, field service and repair, are separate cost centres, with different department leaders and conflicting objectives.

As a result, a service delivery rift has emerged. Inefficiencies arise from break fix supply chains wasting costs and reducing productivity in simple areas such as 'no fault' (identified by the engineer at point of service), by as much as 30 percent with retail service delivery in our experience. This is caused by the fragmented supply model employed – where the repairer, part provider, field technician, diagnostics and logistics provider are often five independent sub-contracted suppliers.

Simplification of the IT service supply chain through 'Leansource'; a single touch supply chain solution incorporating call handling, stock management, field services, logistics, repair and close means cost and service advantages can be delivered and opportunities for disconnects and blame eliminated. The benefits can be demonstrable both at the back end of the service supply chain, (customer service representative) and front end (field service engineer) – enabling everyone to have a greater understanding of the job requirement and its outcome.

The intelligence in the service supply chain enables the provider to become an 'ally' to the end user business. Planning for a 100 percent success rate rather than allocating a percentage for failure transforms the view of the service supply chain.

As the service provider or 'ally' is connected directly with the end user site, the field service engineer is equipped with the information to deliver a hardware maintenance solution that invariably solves the customer's problem immediately.

Leansourcing SLAs provides a platform for 100 percent commitment to service delivery, as one service provider for diagnostics, delivery and repair can react with precisely the right response.

Views from the top

IAN MITCHELL

Head of Telecoms,
Direct Response

ERIC SIMONSON

Managing Partner of Research,
Everest Group

2012 has been quite a remarkable year for the telecoms market with the launch of the new IPhone 5, the recent arrival of 4G and greater use of voice recognition software, to name just a few.

The inevitable take up of the fourth generation of wireless communication will see an increase in network speeds that, in turn, may fundamentally change the ways in which we work as mobile devices become able to match the data and speed capabilities of standard computers. With 4G offering the opportunity to get so much more done on the move and reducing the requirement to pop back into the office, will firms become more flexible in allowing employees to utilise their own devices and, indeed, will every employee need to take up valuable office space and landlines going forward?

Next year, we are also set to see Ofcom continue to improve the classification of the different non geographic numbers making it easier for consumers to understand the differences in pricing. This has the potential to be a big asset to organisations as they work to define themselves using appropriate telephone numbers, from freephone numbers for customer complaints right through to premium rates for competition lines. One thing that will be welcomed is the likely introduction of freephone numbers that will be free across all UK networks (including mobile).

The market for operators is also set to change as EU regulation means that international call charges will be coming down across all mobile networks throughout Europe. We also expect to see some major IT companies making further forays into the telecoms market; Facebook is rumoured to be launching a new phone in 2013 to support its video calling capability.

With better mobile speeds and more mobile usage, there will be inevitable concerns regarding data security and connectivity and, indeed, companies will need to budget more for mobile security over the next year. One last thing to consider is how to match all telecoms needs together so that mobile devices, landlines, portable phones and various operating sites can all connect, share data and present a simple front for customers. The companies that crack this will be the ones to crack the telecoms market in 2013.

When projecting the future of a maturing outsourcing market, four themes stick out. First, slowing growth rates of service providers combined with "saturation" effects in many markets will lead to increased competition for renewals. Historically, 70-85 percent of outsourcing agreements are renewed. However, the disruptive nature of cloud solutions and the unknown impact of greater technology in BPO should open the door to greater restructuring than before.

Second, there will continue to be a wide variation in sourcing model strategies. Large global enterprises increasingly feel compelled to retain an internal delivery capability and often in the same geographies as their outsourcing relationships – and many will grow these internal capabilities faster than outsourcing. By contrast, most other firms (and most notable, the later adopters) will seize on outsourcing as the best model to access global services.

Third, the service provider landscape is being reshaped by the separation of tier 1 players from tier 2-3 players. In some cases, tier 1 players will use their heft to make large investments in capabilities that others simply can't match. By contrast, smart tier 2-3 players recognise that there continues to be many pockets of under-developed expertise in the market and they can successfully develop industry or geographic capabilities that are more competitive than the large players.

Although this differentiation is far from being a platform to close the size gap with tier 1s, it can be sufficient to retain an advantaged position in key markets. As a result, although both tier 1 and successful tier 2-3 players should grow, they will grow in different ways and increasingly play different roles in the portfolios of users of outsourcing services.

Finally, concerns about the erosion of offshore labour arbitrage are proving unfounded. The large size of labour pools in low cost destinations, the ability to increase the supply of relevant talent and the slowing growth rate of new demand combine to create a comparatively stable cost model. In fact, the potential for disruption will be exchange rate-led rather than underlying changes in costs due to lack of relevant talent. There will always be some pinch points in certain skills, but it is far from being a fundamental misalignment of supply with demand.

Views from the top

MICHAEL R. KOONTZ

SVP Director of Research,
Horses for Sources Research

HARRY MCDERMOTT

CEO, Hudson and Yorke

The outsourcing industry is working to overcome a singular focus on cost. In a recent study by HfS Research and the Outsourcing Unit at the London School of Economics, 96 percent of current enterprise buyers of outsourcing services view their engagements as effective for lowering costs, with 46 percent citing their cost reduction progress as "very effective."

Increasingly, however, buyers are seeking more collaborative relationships with providers in order to not only reduce costs but to drive business results. Looking at 2013, the industry is expected to place greater emphasis on developing more effective models that support business strategies through higher levels of thought leadership and optimised analytics.

Domestic outsourcing models will become more prevalent. As buyers seek higher levels of effectiveness, they will also be looking to leverage a global footprint and most have little interest in establishing captives. Many have come to the realisation that there is work that makes sense to outsource but not necessarily to offshore. Look for more onshore/offshore hybrids and expect to see more providers investing heavily in domestic locations. This is becoming more prevalent in areas that have both customer contact and mid-office support areas.

More performance and transactional models. As buyers mature, they will expect providers to evolve their pricing models beyond headcount calculations. Providers will be asked to share business risk and collaborate with their clients to drive business results. Buyers are looking to hedge their margins by reducing fixed cost structures, an approach that outsourcing transactional models can support.

Thought leadership comes at a premium. The days of 50-page sales decks are over. Expectations will be higher for sales, account management, and delivery teams to demonstrate business acumen and provide insight into business challenges and solutions.

Real analytics to solve problems. Buyers are beginning to understand the power of data sitting on servers. They will be looking for more ways to unlock the potential of this resource and translate it into improved customer service, increased revenue, and enhanced products in the market.

One of the most common reasons for IT managed services or outsourcing agreements encountering problems is poor governance. While good contract governance can deliver a range of business benefits and promote a strong customer-supplier relationship, substandard controls can result in unsatisfactory service delivery and an unprofitable contract for the supplier. As a guide, 3–7 percent of contract value should be invested in governance. Failure to do this can result in business case leakage of 15–40 percent.

Defining a clear governance structure is critical for successful agreements. This framework should consist of strategic, management and operational levels that ensure effective decision making and provide a clear escalation path for issue resolution. This will also enable tracking and reporting on contractual obligations, to ensure both parties deliver on the commitments in the contract. The quality of service delivered to the customer is essential to the partnership with the supplier, and effective tracking coupled with accurate reporting is paramount to ensuring this quality is never compromised.

The effective management of operational changes and interdependencies between each supplier contract within an IT system can also have substantial implications for the successful delivery of individual contracts. Interdependencies should be clearly understood and subsequently managed by operating level agreements, and robust change management processes need to be in place to identify and resolve issues before they arise.

Above all, communication and regular assessment is key. Throughout any contract term, stakeholders need to be kept informed and original objectives reviewed. In the course of a three or five year contract, it is easy to get caught up in the operational aspects of the contract and not take time to review the original objectives and contract intent against changes in the business environment. It is recommended that regular contract assessments are performed to review whether the agreement is still meeting business requirements and remaining market competitive.

Views from the top

TERRY WALBY

UK Managing Director, IPsoft

JOHN KEPPEL

Partner and President, ISG

Taking a multi-vendor approach to IT solutions is a double-edged sword. It can drive down the cost of operations, but with this comes a host of complex management issues. The cost benefits of sourcing multiple suppliers can easily be accounted for, but IT managers may find it difficult to account for the time and resources lost due to inefficient use of management tools.

The growing use of services provisioned from cloud providers is driving the need to constantly adapt and enhance the way IT is managed, and increasing the need to focus on what is a challenge facing more and more businesses. That is, that operators of datacentre environments, both dedicated and cloud, and those of data networks often utilise a large variety of non-connecting management tools across the services provided.

The net result of this is an inconsistent and disjointed view of service operations, leading to sub-optimal application delivery and challenges in management and the speedy diagnosis and resolution of incidents. Perhaps the biggest problem, however, is that multiple disparate tools hamper the use of end-to-end automation which might be considered the silver bullet to the optimisation of an IT operation, as it does have the ability to reduce the cost, error and inconsistency associated with manual activities.

It can be argued that the current trend to move away from monolithic outsourcing arrangements across network and datacentre operations would exacerbate this situation – adding more suppliers to the mix. In reality though, even those providers offering services across multiple domains are rarely using consistent tools and practices across them. Fundamentally, whether sourced together or separately, the network and datacentre layers are an intrinsic and inter-reliant part of IT service delivery.

By using consistent operational support and business support processes and tools organisations can provide a true service related view. Forward thinking organisations are considering this to be an important part of the service governance role which is increasingly becoming the function of the IT department of the future.

Service delivery is a largely overlooked issue in many businesses. Organisations can't afford to have their productivity levels decline, especially when there are solutions available which easily prevent this occurring. It's a fact that greater efficiencies can be leveraged through the use of managed service providers whose use of shared assets and knowledge will be of benefit to their customers. Businesses should look to those who use automation and shared services to deliver the greatest efficiencies, while focusing on the use of end-to-end management tools across all facets of insourced and outsourced services to consistently govern the delivery of functionality to the business.

Although trading conditions in Europe have remained difficult over recent months amid continued economic volatility, ISG has detected a renewed appetite for outsourcing as this year has progressed. This is reflected in the larger contract sizes we have seen, as well as the volume of mega relationships awarded in 2012 – up sixty percent on last year, according to the latest figures from the TPI Index, our quarterly snapshot of activity in the outsourcing market.

In terms of trends, the industry is experiencing many in-sourcing deals although cloud is obviously still the word on every service provider and client's lips. Indeed, an analysis of our client engagements conducted in the third quarter of this year shows that the proportion of our advised outsourcing contracts with cloud computing scope has trebled in the past two years, from nine percent in 2010 to a very significant 27 percent in the first three quarters of 2012. Further demonstrating the growth of the cloud, in the ISG quarterly survey of service providers, half of respondents confirmed that cloud computing is now a feature of at least a quarter of their pipeline opportunities. The majority of service providers also predicted that cloud services are set to grow faster than traditional IT outsourcing functions.

However, this appetite and enthusiasm for cloud also comes with some considerations… for both service providers and clients. Cloud services, especially shared platforms, are a completely new territory for many players in the market. For one, they are highly standardised, and can't be easily customised, which is the antithesis of traditional outsourcing that most enterprise buyers are used to.

Clearly, cloud is a disruptive trend in the enterprise. Looking ahead to next year and beyond, we predict that this disruption will not only continue, but accelerate, especially for the traditional IT service providers. From well-known software vendors to more nimble mid-market players and emerging pure-play infrastructure and SaaS providers, traditional IT service providers are set to face significant pressure from nearly every direction. It is now undoubtedly true that those service providers who ignore the power and growth of the cloud do so at their peril.

Views from the top

ROBIN YOUNG

Operations Director,
Mitchells & Butlers

PHIL CLARK

Marketing and Channel
Development Director,
niu Solutions

As the new world is becoming ever more demanding, Mitchells & Butlers is now into year two of a 36 month journey to refocus its resources onto delighting guests. The strategic goals now surround empowering highly-trained, local, experts to deliver service-excellence at a business level. The support centre scale and leverage is simply a base from which to work rather than a hard framework in which to operate. Team engagement is high, guest recommendations are improving across every brand, innovation is delivering and Mitchells & Butlers is selling more.

Looking forward, outsourcing will increase in its pace and value generation across our industry. The need to differentiate between the genuine guest touching services and those best left to partners is no longer a choice that can take years. Executive and board teams will be much more willing to embrace service providers without worrying about a perceived loss of control. The really interesting developments will occur as the UK is seen as a first point of call for outsourcing rather than an expensive selection behind some of the more favoured, worldwide locations.

In the short space of one year, IT and their outsourcing partners have become critical, engaged partners with the operators of Mitchells & Butlers. Solutions are prioritised, designed, architected, deployed and trained in a totally inclusive way-of-working. The true measure of the progress is the winning of national awards combined with accolades from hard-nosed, frontline teams.

We're all too acutely aware of the pace at which end clients are looking to adopt cloud services, and deploy them universally within their estates. As things stand today, with cloud solutions still being in relatively 'early adopter' mode, organisations are seeing the benefits of application led cloud deployment, sourcing individual applications from specialist vendors and providing those applications to their end users in a utility model.

Interestingly though, I already find myself hypothesising a problem that I feel is a bit further down the line, the convergence of two very powerful forces in the market today – device proliferation and 'cloud provider' proliferation.

As all IT professionals will have noticed, more and more end users are demanding their own style of devices to get access to their business applications. This breeds issues with data loss and user security, as well as asset control (if owned by the business) and user/asset administration.

As an isolated trend, this could be very easily managed. However, if you transpose this device hungry drive in the marketplace with the expanding need to manage multiple cloud application providers, and all associated costs/bills, user IDs and accounts, security, SLAs etc., your IT estate becomes an incredibly complex management overhead, that will require very slick processes in order to keep it under control.

Imagine a new starter who has an iPad, a laptop and a smartphone (that's three devices), all of which need to be business application enabled. This same new starter needs Cloud delivered office products, cloud delivered CRM, cloud delivered email, and cloud delivered analytics functions (all from different cloud providers). This is when the new starter process becomes a convoluted implementation and configuration nightmare.

Issuing requests to vendors for new devices and application logons, configured securely and consistently across all devices, with an understanding of the process for wiping business data, and closing those accounts should the same user eventually leave the company. Cloud and device management together is going to be the next big headache for all IT departments.

At niu Solutions we are starting to integrate a range of tools and techniques to overcome these problems, which we'll be productising and launching in 2013.

Views from the top

SIMON SHORTHOSE

Managing Director, ReadSoft

ELEANOR WINN

Director, Source

BPOs and SSCs are discovering automation as a prime tool to unlock new benefits by bringing together all their document intensive processes under one roof – from purchase-to-pay, order-to-cash, HR and payroll, to the digital mailroom. By reducing unnecessary and repeated processes, and supporting the addition of more value added services, these organisations are lowering costs and generating new revenue streams.

While an SSC or BPO may have several sites, and multiple systems, a single centralised platform with a common interface can bring together and automate all elements without taking apart existing systems or rebuilding from the ground up.

Such platforms integrate all input management related applications and processes, including production scheduling and control across multiple clients. Existing technology can then be woven together with these new platforms to advance existing infrastructure. By opting for intelligent capture, automated data entry and classification, ERP matching, workflows and e-invoicing throughout their entire document intensive processes, these organisations are achieving best-in-class performance with their back-office processes.

Others are decreasing the cost of document administration, decreasing cycle times, increasing employee productivity, improving compliance and increasing the volume of documents processed; all without the need to add headcount.

Through uniformity delivered by an automated platform, an SSC or BPO will spend significantly less time handling processes and numbers. This opens new opportunities for developing value add services which can be made both repeatable and scalable.

Automation gives the outsourcing organisation the time and capacity to focus on both customer consultation, as well as contemplating business strategy for advancing its own core offerings. It helps deliver new services and more streamlined processes and is driving the trend for incorporating multiple functions including finance, HR, legal and purchasing.

All these departments have common processes which can be built upon, without replication, which enables the SSC or BPO to move from function to function, centralising them with ease, and unlocking further business benefits which can be offered to eager customers.

Through this optimisation process BPOs and SSCs can enrich revenue whilst reducing costs, use technology to phase out labour arbitrage, make benefits repeatable and scalable, and provide more value added services on-premise, online or offshore.

Organisations are waking up to the fact that the "sourcing 2.0" model of sustainable deals delivering value to both provider and customer organisations do not go far enough and that to create a deal that guarantees success we need another approach. In "sourcing 3.0" all the individuals and groups that affect or are affected by the outsourcing process are considered and a clear positive outcome defined for each.

In this way, the resulting relationship has its own momentum, as people are working towards clear objectives that deliver value to them individually and to the clans and tribes that they are part of. This is not easy, and requires creativity and insight beyond the traditional advisory model – commercial and sourcing skills are no longer enough and a clear focus on people and softer outcomes is also needed.

In the commercial sector, models are continually becoming more dynamic, incorporating an engagement-led approach with document exchange replaced by workshops, information sharing and collaborative solution development. This has many benefits for the customer and providers, as it tends to be faster and allow for a far deeper assessment of intangible, but critical success factors, such as cultural fit, philosophy and ways of working. Identifying the right partner or partners more quickly allows for more time to be spent on the important activities early in the relationship that set the tone for its future success, or otherwise, such as transition, governance set up, and investing time to establish a positive shared culture.

Progress in automation technologies may disrupt the industry in the coming 24 months. Data conversion and extract was transformed in the late 1990s by the introduction of simple, configurable tools, replacing the need for detailed scripting and manual data extract by technical specialists. The same is happening now in other, technical and non-technical processes with companies producing "robot FTEs" that require only simple configuration to "learn" the role of a business process operative. This could transform the nature of the BPO industry and ultimately deliver game-changing benefits to the end customer. Similar technologies for system monitoring and other IT operations tasks may create a similar opportunity for the ITO providers and, ultimately, their customers.