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Three watchwords for e-retailers outsourcing their contact centers: monitor, measure and motivate

By Don Davis

The period leading up to Valentine's Day is among the busiest times of the year for Vermont Teddy Bear, a multi-channel retailer of stuffed animals and other gift items. So disaster loomed early last February when landline phone service went out in all of Vermont, where the company and its in-house contact center are located.

Fortunately for the retailer it also had contracts with three outsourcers to handle customer calls and e-mails during busy seasons, one of them being Alpine Access.

"With a phone call to Alpine Access they were able to put on agents in probably less than 45 minutes, and we were back in business," says Chris Powell, contact center manager at Vermont Teddy Bear. "That's very important for a retailer like us, because our business is so seasonal that we can't take a chance on losing anything."

Managing the spikes

While it's not often that an entire state loses its phone service, the incident illustrates a key advantage of outsourcing contact center work: the ability to quickly add customer service agents when demand spikes. That can be important in an industry as seasonal as retailing.

Contact center specialists also can invest in the latest technology, offer expertise on how to train and monitor agents and provide customer service when a retailer's offices are closed—or when the lights or phones go out. They also can relieve retailers of the burden of continually hiring and training agents, a big consideration given that turnover in U.S. contact centers averages around 33% a year, according to ContactBabel, a UK-based research firm that focuses on contact centers.

But most retailers and other organizations keep their contact center work in-house for a simple reason: they don't trust others to provide their customers with quality service.

That fear is not necessarily justified, say online retailers that have outsourced all or part of their customer service work and some consultants. But a successful outsourcing relationship requires careful investigation before closing a deal, and careful monitoring and close collaboration thereafter.

That starts with a detailed service-level agreement that sets specific performance goals and makes clear how they will be measured. It also includes providing the outsourcer and its agents with as much product information as a retailer would provide in-house personnel, and, perhaps trickiest of all, making the outsourced agents feel like part of the retailer's team.

The aim is to gain the benefits of outsourcing, but still have customers feel like they're being served by employees of the retailer who are knowledgeable and enthusiastic. "It has to be transparent to the customer, because we really are the same company," says Dino Martin, senior vice president of operations at multi-channel toy retailer FAO Schwarz, which uses outsourcer Global Response to provide customer service.

Outsourcing on the rise

While most companies of all types handle customer service in-house, outsourcing is growing steadily, if not explosively, according to a report last year by Milwaukee-based asset management firm Robert W. Baird & Co.

That report estimated 20% of the \$300 billion spent worldwide on contact centers in 2006 went to outsourcers, and projected that will grow to 26% of a \$400 billion market by 2011—or from a \$60 billion-a-year market to \$104 billion in five years. For retail and consumer services companies, spending on outsourced contact center services will grow by 14% a year from 2006 through 2011, Baird predicted.

Contact center outsourcing is growing for the same reason outsourcing as a whole is becoming more common, says Les Cheek, a managing director at Baird. "Outsourcing allows a company to focus on its core competencies while other things that may be critical to the success of the business are done by people who do them all the time, the contact center companies," he says.

While the Baird report does not break out online retailers, some contact center outsourcers are gaining a lot of business from web merchants. For instance, Toronto-based outsourcer 24-7 INtouch is growing at 50% or more a year, and more than 75% of its small and mid-sized clients are online retailers, says CEO Greg Fettes.

Measuring performance

The starting point for any outsourcing deal is a service-level agreement that includes key performance metrics, such as how quickly calls will be answered, how long calls will take and an acceptable abandonment rate.

FAO Schwarz wants 90% of calls answered within 20 seconds. That's better service than most companies offer: A 2007 ContactBabel cross-industry survey of 204 U.S. contact centers found the average time to answer is 42 seconds, although a quarter of companies said they typically answer in less than 10 seconds.

As for abandonment rate, FAO Schwarz says no more than 2% to 3% of callers should hang up before an agent answers, Martin says.

But Roots Canada, which sells high-end leather goods and Olympic team-branded apparel, sets an abandonment rate goal of less than 1% for its outsourced provider, PFSweb. “We get a lower volume of calls, and we want to super-serve those calls,” says James Connell, director of e-commerce, digital marketing and new media at the Toronto-based multi-channel retailer.

While performance goals are standard practice, some goals can be counterproductive, says Chris Carrington, president and CEO of outsourcer Alpine Access. “We have some retailers who say you have 240 seconds to handle this call, and if you go four minutes and 30 seconds we’re going to impose a penalty,” he says. “But if you average 4 minutes and 15 seconds but get 25% more revenue per hour aren’t you glad I spent 15 seconds more?”

To avoid that trap, Vermont Teddy Bear measures revenue per minute on the phone, which gives credit to agents who spend extra time—as long as they regularly close the sale.

The call length is important because in many cases a retailer is charged by the minute. Vermont Teddy Bear, pays outsourcers from 50 cents to \$1.20 per minute an agent spends on a call, Powell says. At peak times, when he knows he can keep agents busy, Powell contracts for dedicated agents and pays them by the hour; rates range from \$24 to \$40 per hour, he says.

See for yourself

Before signing a contract, a retailer should visit all the outsourcer’s facilities that will be handling calls, advises Elizabeth Herrell, a Forrester Research analyst specializing in contact centers. She notes some contact center providers subcontract work to other companies, so all sites should be seen in person.

“You can walk into a contact center and immediately see what it’s like,” she says. “Are agents busy, at their desks, is the sound volume reasonable, is it a good, clean work environment? In a poorly run contact center you’ll see people running around with a lot of paper, stickies on monitors, outdated training manuals.”

Some contact center outsourcers use agents who work from home, and Herrell says those workers can provide superior service. “You can get a higher-caliber person who will work for a lower salary just for the privilege of working from home,” she says.

But the retailer must get guarantees that the customer information handled by home-based agents is as secure as it would be in a contact center facility, and that the environment is business-like. “You don’t want barking dogs or crying babies in the background,” Herrell says.

Alpine Access employs 7,500 home-based workers, and Carrington says that allows the company to offer agent time in 15-minute increments, which means retailers are less likely to be paying agents who are waiting idly for calls.

If calls slow down, Carrington says, Alpine Access can ask agents if they want to take a short break, reducing a retailer’s costs. “An agent might say, ‘Great, I can get off the phone for 30 minutes, put in a load of laundry, and come back,’” Carrington says. “That’s because there’s no

commute time. If things are slow in a contact center, an agent won't sit in the break room for 30 minutes and not get paid."

Quality scores

While it's easy to measure how long a call lasts, or how many seconds before it is answered, it's more difficult to measure how well an agent handles a customer's call. E-retailers say it's important to regularly monitor calls and go over the results with the outsourcing company.

Roots Canada conducts what it calls "calibration sessions" about every other week, listening in on an hour or so of calls along with a representative of the outsourcer, PFSweb. Everyone monitoring the calls uses a scoresheet that rates agents on a scale of 10 on how well they know the retailer's products and processes, on courtesy and helpfulness, and their overall ability to interact with the customer.

The Roots and PFS staffers score the calls independently, then share the results, Connell says. "This way we make sure PFS's expectations are in line with ours," he says.

FAO Schwarz uses an outside evaluation firm to make five "mystery shopper" calls each week to gauge the quality of service, product knowledge and order accuracy, Martin says. Results are shared during weekly conference calls with the outsourcer, Global Response.

While that feedback is helpful, Fettes of 24-7 INtouch says poor results often are not the fault of the agent but of the scripts the agents work from. For instance, if a retailer wants all callers asked how they heard of the company but puts that question at the end of the script, it's not likely agents will ask that question every time.

Preparing for success

Retailers and outsourcers agree that providing agents with as much information as possible is crucial.

In preparation for the holiday rush, FAO Schwarz brought Global Response trainers to New York, showed them around the retailer's flagship Manhattan store and had them sit in with buyers to discuss the items they were ordering.

Roots Canada sends samples of its products to agents so they can see and feel the items they'll be discussing with customers, Connell says. The retailer also tries to make agents feel like they're part of Roots, he says.

The company does that by offering the PFS agents working for it discounts on products, sends them internal newsletters and links to company blogs, encourages them to visit the more than 110 Roots stores in the U.S. and Canada, and sends them videos of in-store events. Connell emphasizes the importance of such interactions.

“Never undervalue training,” he says, “The more you train agents, and get them to touch and feel your products the more likely you are to have an agent who will be able to represent your brand in a consistent way. And if you can involve an agent, even though they’re outsourced, and treat them like an employee, the benefits are phenomenally higher.”