

The 'new norm' in CRM BPO

The disruption, change and opportunity
of the new digital reality



November 2014



Foreword

The role of a new digital reality in disrupting old ways-of-working in the CRM BPO industry is potentially both a major opportunity, but also a possible threat for clients and outsourcers alike.

This new digital reality is a combination of not only the continuing 'move online', but also a reflection of the new software and related innovative technologies that will impact the industry.

In this Whitepaper we argue that this new reality is likely to manifest in a number of trends:

- Social media and the new digital reality will drive customer self-service which will in turn rapidly replace, and also change, agent-led interactions
- Customers will demand multi-channel communications - and outsourcers will need to provide them.
- Remote working will become common in the CRM industry with knock-on effects for operational delivery models
- Existing cost-effective SaaS solutions will allow outsourcers to leverage sophisticated software to achieve true BPaaS service differentiation and deliver customer insight

On their own these trends are interesting, but their expected

outcomes and impacts are much more exciting.

For many industry players, historic success has rested on scale and a ruthless attitude to cost. This has driven consolidation and major offshoring initiatives, hand-in-hand with commercial models that emphasise cost inputs or transaction volumes over outcomes.

Outsourcers have also been overly beholden to the ERP and technology investment decisions of their customers, suffering through their clients' inefficiencies or silos.

In the 'new norm' we believe these pages of the rulebook will, over time, 'go up in smoke':

- Commercial models must adapt into outcome-based approaches that incentivise providers to prioritise self-service
- Scale and offshore presence will no longer be a barrier, as firms leverage flexible delivery models, e.g. remote agents
- Outsourcers will be expected to leverage their own IP solutions to maintain a single-view of the customer
- CRM BPO providers will differentiate themselves on the quality of their customer insight, not solely by lowest-price delivery

We conclude that the resulting impacts on contract size, scope and margin will be considerable - a 'new norm' for CRM BPO.

In publishing this Whitepaper, Credo has drawn upon interviews with senior leaders in the industry, whom we thank for their time and contribution.

We also reference a wide variety of industry case studies and available market research & data, which we have tried to acknowledge faithfully.

We hope you find this Whitepaper both informative and thought-provoking. If you would like to join the debate please take advantage of the multiple channels available:

E: tim.nixon@credoconsulting.com
P: +44 20 3206 8800
T: @TimNixonCredo
L: uk.linkedin.com/in/TPJNixon

Co-authors

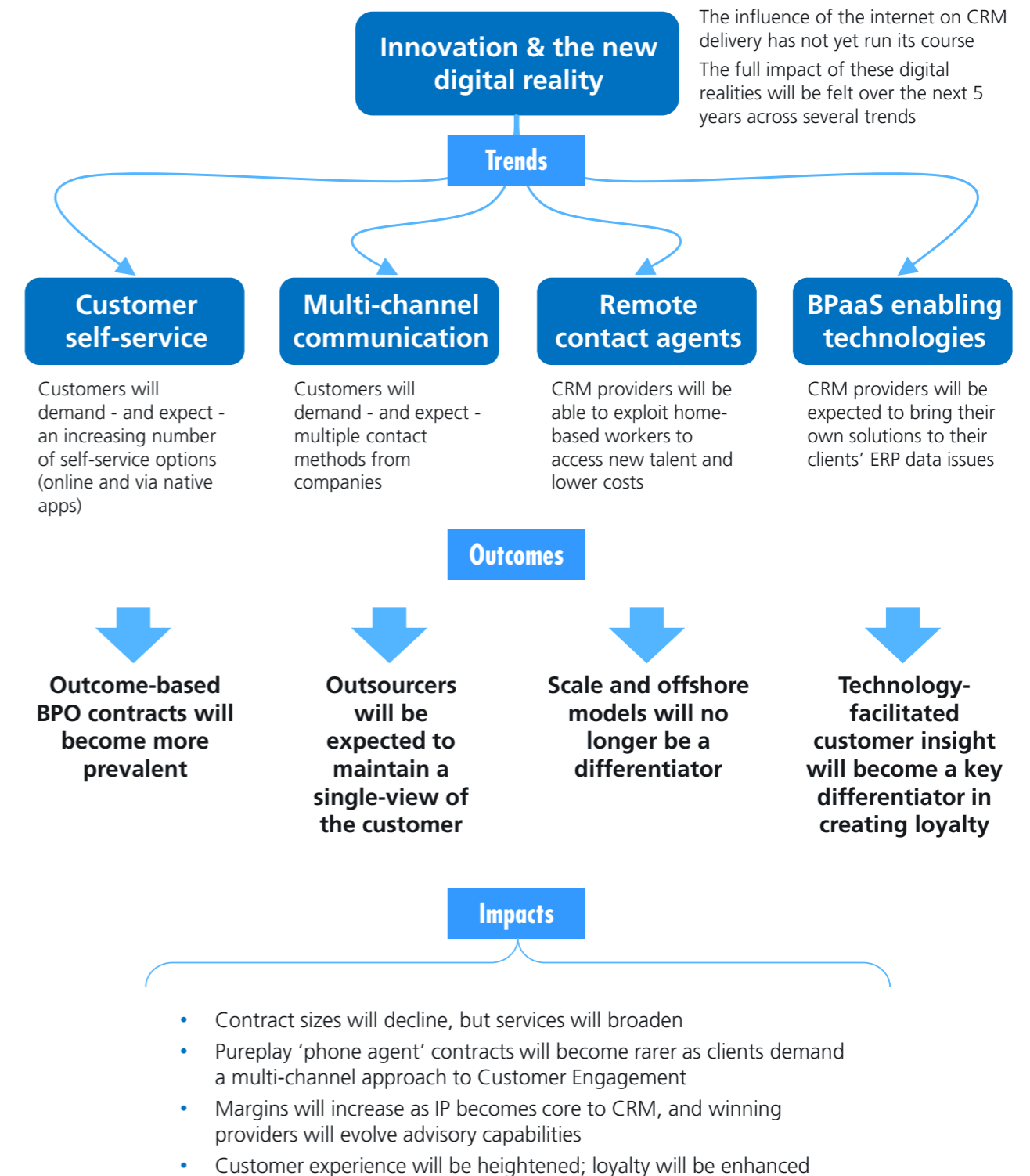


Tim Nixon
Partner



Andrew Marsh
Special Advisor

The 'new norm' in CRM BPO - Credo's view



Innovation & the move online The emerging digital reality in CRM

Evidence suggests that the impact of our digital and online reality has not yet peaked. For the CRM industry this will have far-reaching effects.

As a CRM BPO practitioner, you may already have concluded that the impact of the internet and the digital economy has been fully felt by the industry. The rise of email communication and self-service has been marked, and you may already be using live chat.

However, while the internet is an accepted fact of modern life, it is only in the last 5 years that rates of internet adoption amongst customers in their 40s, 50s and 60s have increased to a position of near full adoption.

“Technology advances are expected to have the biggest impact on the way we communicate with our customers over the next 4 years.”

CCA & Kcom, “The future of customer service”, 2013

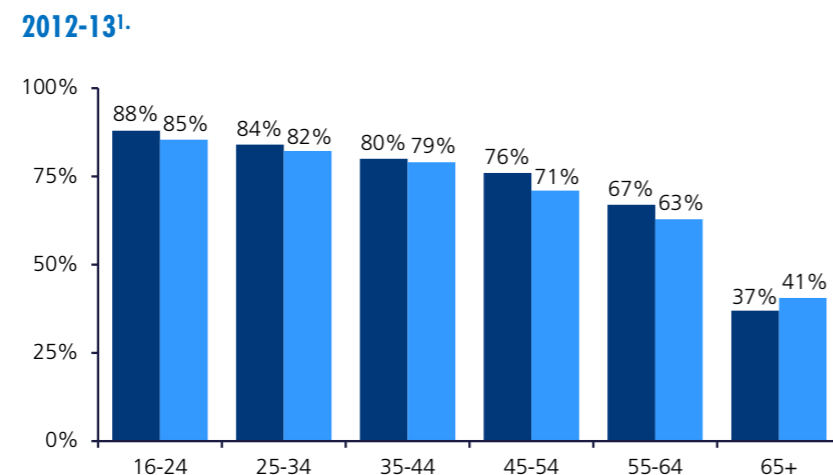
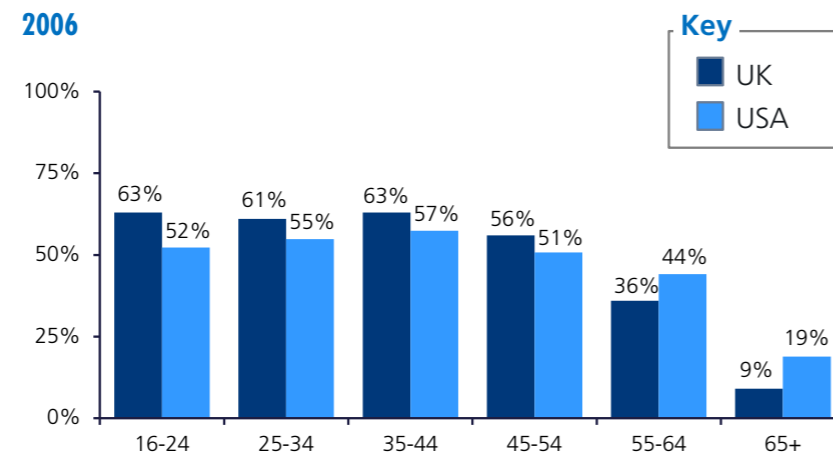
As a result, Credo research suggests that we are yet to see the full impact of the ‘move online’, and the effects this will have on CRM. Figures show (see chart) a doubling of daily internet usage by the ‘Baby Boomers’ as a very recent

phenomenon. Between 2006 & 2013 daily internet use by those aged 45+ roughly doubled, and so there are strong grounds to believe that the transformation of the industry has not yet ‘run its course’.

Beyond raw internet usage, we see increasing levels of comfort in using the internet for

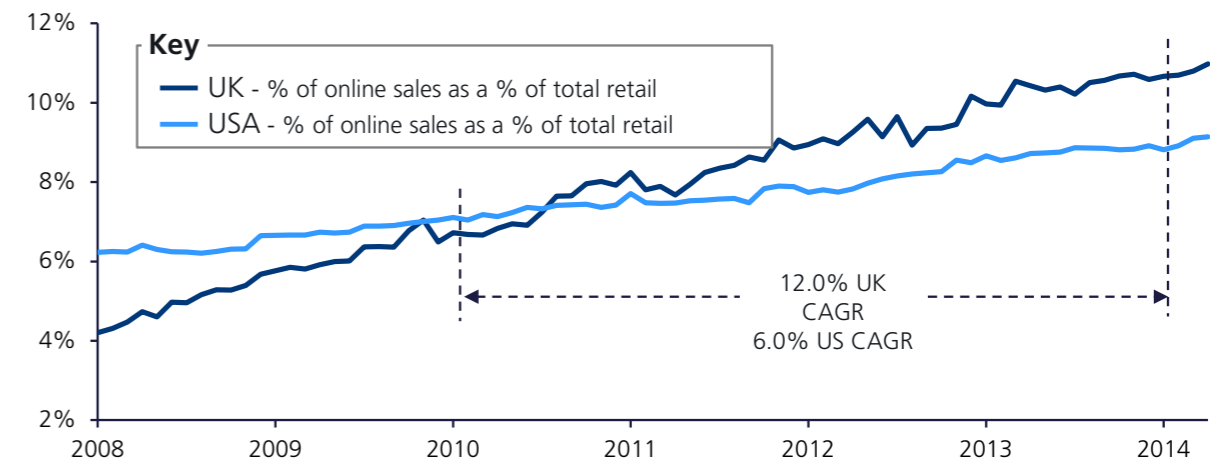
transactions. Online retail sales growth in the UK has averaged 12% per annum since 2010, a clear demonstration that the move online is still underway. Similarly the rate of mobile internet adoption is dizzying. Cisco Systems data indicates a year-on-year increase in mobile internet use of 81% from 2010-2014.

Rate of daily internet usage (US & UK)



Notes: ¹ Data is latest available – 2013 for UK, 2012 for US
Source: Pew Research Centre, ONS Internet Access Statistical Bulletin

Online sales as a percentage of total retail, 2008-2014



Source: US Census, ONS Retail Sales Statistics

The impact of this change is likely to be felt as a combination of customer interactions moving to self-service (on desktop and mobile), and a rapid growth in online agent-led interactions such as live chat and social media.

As transaction volumes disappear ‘online’ or new channels emerge, there will be a marked reduction in phone and email volumes. A thorough study by ContactBabel published in July 2014 forecasts a 1.8% reduction in phone volumes from 2010-2016.²

At the same time as transforming how customers communicate, the rollout of broadband has triggered an accelerating trend for contact centre agents to work remotely. As client applications become

available online, agents can move out of call centres and be based at home. This will have considerable impact on the service delivery models of CRM providers, not only affecting their sourcing strategies but also offering access to different talent profiles and flexible working schedules.

Lastly, innovation and the rise of SaaS-based tools are providing CRM teams with enabling BPaaS technologies that not only allow them to operate ‘in spite of’ the limitations of existing ERP software, but also provide an enhanced view of the customer - even as channels fragment and activity moves online.

In summary, innovation and the move online offer an exciting opportunity to transform the

delivery of CRM and CRM BPO, but also threaten significant disruption.

- The full impact of internet adoption has not yet been felt
- Customers in their 40’s, 50’s & 60’s have only recently begun transacting online regularly
- Customers are embracing new channels of communication and self-service options
- Remote CRM agents are becoming a reality
- New technologies are allowing BPaaS to triumph over legacy ERP software

Source: ² ContactBabel, “The Inner Circle Guide to Multichannel Customer Contact”, Sept 2013

Customer self-service

Self-service will transform CRM interactions

The most obvious impact of the move online has been, and will continue to be, the move to customer self-service.

Providing customers with an ability to self-serve carries the dual benefit of driving customer satisfaction (and hopefully therefore loyalty and advocacy) with little or no cost of delivery. Perversely, basic cost-plus or transactional contracting models fail to incentivise CRM BPO outsourcers to implement strategies designed around self-service and interaction minimisation (see page 8).

Self-service is a catch-all phrase in the industry, but most often it can refer to either: the use of a website to complete a transaction/interaction; a native app on a mobile phone;

a social media platform; or an intelligent IVR used for something more useful than simple call routing.

While many contact centres offer some element of self-service, adoption is patchy, inconsistent and far from universal.

Increasingly, businesses are looking to establish Customer Relationship Management strategies that rely almost entirely on self-service processes and functionality. Currently these 'agent-free' models are most popular amongst cost-conscious internet-based start-ups, but the basic principles of enabling self-service, whilst embracing a multi-channel strategy for 'agent-led' communication, can be

embraced by any company. Entirely 'agent-free' models are unlikely to be sufficient. Research by Dimension Data¹ illustrates that for certain types of transaction (i.e. support enquiries), self-service is not always the preferred method for customers.

"An increase in self-service and automation was the most important 'future business model change' cited."

CCA & Kcom, "The future of customer service", 2013

That said, CRM providers need to recognise that a self-service strategy that embraces our digital reality will emphasise far more than just cost reduction.

A truly holistic approach to self-service will (across desktop and mobile) work to improve the information available to customers, anticipate their service needs in advance, provide simple processes to handle their issues and may embrace crowd-sourced solution platforms. Such an approach should transform the customer service experience, and with it, customer loyalty and advocacy.

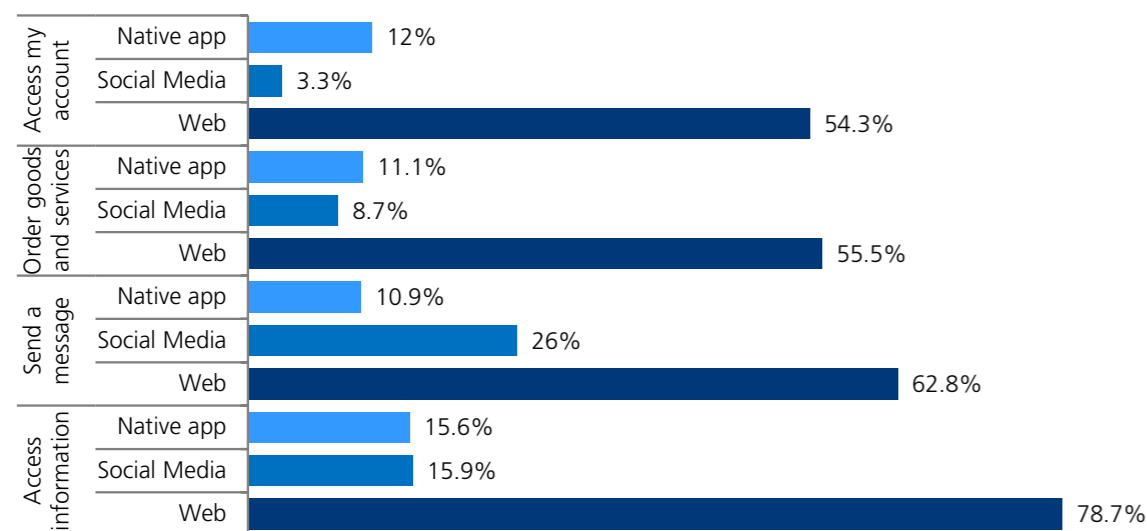
"65% of call centres have not implemented self-service, or consider their provision to be behind competitors."

Dimension Data, "Report extract: self-service", 2013/14

This mental shift is not common amongst many in the CRM industry who believe 'getting digital' means a website (and perhaps social media) overlaid onto current contact centre processes.

As a result, much of the true innovation around customer service is not being led by the established CRM outsourcers (who deep down often see call & interaction minimisation as a threat to future revenues), but by new entrants, brave enough to develop a fresh service proposition, or by companies handling their CRM provision in-house.

Availability of self-service by customer query - % of contact centres offering capability



Source: Dimension Data, "Dimension Data – Global Contact Centre Benchmarking Report extract: Self-service, 2013-14"

giffgaff™
Case Study: GiffGaff

Overview	<ul style="list-style-type: none"> GiffGaff is a 'Sim card only' mobile virtual network operator (MVNO) based in the UK GiffGaff runs a business model with no call centre - whilst a central team completes all customer payments for security reasons, no other CRM function requires substantial employee involvement All customer service is done through an online forum, populated by other customers who receive rewards in return for helping fellow customers
Outcome	<ul style="list-style-type: none"> 91% customer satisfaction is achieved, with 95% of queries answered within an hour Costs are minimised as the need for central office space and contact agents is reduced

zipcar
Case Study: ZipCar

Overview	<ul style="list-style-type: none"> Zipcar is a car sharing and car club service operating in various large cities across Europe and North America It operates a semi-automated IVR system, allowing customers to complete many processes over the phone Customer ID checks and authentication are automated via the input of customer details, corroborated with an automated 'reply to' email Only the most complex interactions (such as confirming driver license details) are completed by speaking with an agent
Outcome	<ul style="list-style-type: none"> Costs of service are minimised Customers who would prefer to interact by phone are able to do so though a low-touch and cost-efficient process

Customer self-service

Contracts must evolve to meet customer needs

	Fixed/input-based	Transaction-based	Outcome-based			
			Cost avoidance	Revenue generating	Customer advocacy	
Description	<ul style="list-style-type: none"> A pre-arranged fee charged for supply of a defined service Calculated by outsourcer's estimation of resource required 	<ul style="list-style-type: none"> Fee is based on the number of transactions processed by the supplier 	<ul style="list-style-type: none"> Fee is based on the outsourcer's contribution to the business outcomes achieved Aligns customer and outsourcer interests, encouraging partnership 	<ul style="list-style-type: none"> Contract value is tied to costs the outsourcer saves client 	<ul style="list-style-type: none"> Contract value is tied to the revenue the outsourcer generates for the client 	<ul style="list-style-type: none"> Contract value is tied to an uplift in customer satisfaction
Example	Price per FTE deployed	Price per call	% costs saved	% revenue generated	NPS scores	
Client risk/Reward	Low/Low	Medium/Medium	Medium/Medium	High/High	High/High	
Supplier risk/reward	Low/Low	Medium/Medium	Medium/Medium	High/High	High/High	

Cost centre

Evolution of the role of the CRM outsourcer

Revenue & profit generator

A considerable majority of BPO contracts, and in particular CRM BPO contracts, are structured via input-based or transaction-based pricing.

Both these methods are simple in a traditional call centre environment where clients can establish the commercials on the basis of the number of agents in queue or the volume of incoming calls.

In an uncertain world where the number (and nature) of customer interactions is changing, these contracting methods could - simplistically - appear attractive for the future. However, in reality they are likely to frustrate customer service and pose a risk to the industry.

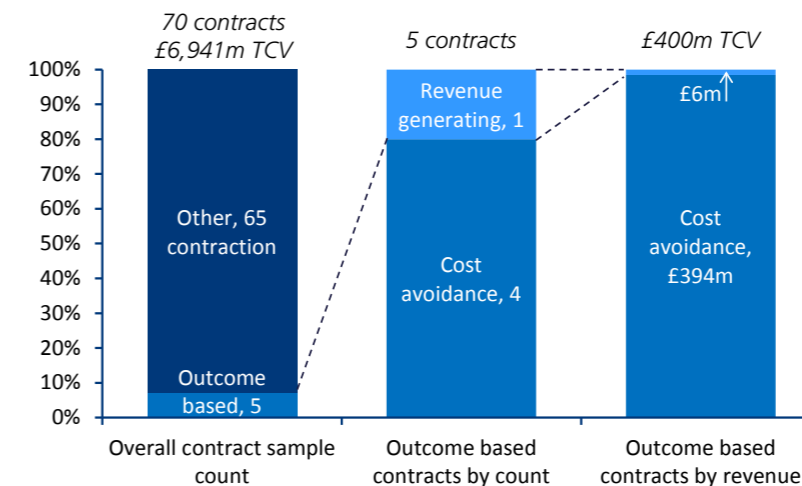
In order to incentivise outsourcers to encourage customers to interact on their own terms, contracts must supply rewards for providers that innovate and drive growth in self-service. Only then will outsourcers make investments in the sorts of online functionality, native apps and online IVR solutions that appeal to customers.

Outcome-based pricing is not straightforward and the risk/reward profiles for both the client and the outsourcer can change. In many cases it is never truly possible for the outsourcer to take on services in an entirely 'closed-loop' system and so there will always be a risk that factors outside an outsourcers remit could have an

adverse impact on outcomes. For example, in a contract where revenues are linked to overall customer satisfaction ratings, the launch of an inferior new product design could have a negative impact, even though the quality of CRM interactions (outbound and/or inbound) may have remained high.

These complexities may be one reason why the uptake of outcome-based contracts is lower in CRM BPO than in other areas of BPO (such as F&A) where a 'closed loop' can be more easily established. Credo analysis of a sample of 70 UK-based CRM contracts with a TCV of £7bn demonstrates that in only 5 contracts were contractual terms based on outcome

Analysis of CRM BPO contracts (sample = 70 contracts)



Source: Credo research & analysis

measures. In only a single case was a contract structured to allow the outsourcer enhanced fees on the basis of revenue growth related to the outcomes of CRM activity.

Rather than bemoan the complexity and interdependency implicit in outcome-based commercials, clients and outsourcers should see this as an opportunity for the type of partnership constantly promised but rarely realised in the industry. Critical to this enhanced risk is the need for clients to give outsourcers greater freedom to innovate and the opportunity to earn greater rewards when things go well (including aspects they may not have influenced directly). Similarly, outsourcers must recognise the need to themselves invest in

enabling technologies to deliver innovation 'in spite of' client's legacy ERP landscape (see Page 15).

The key principle in these outcome-based commercial

settings is to make sure that any gains are being shared by both parties and that rewards for the outsourcer are based on incremental benefits above an established baseline.

Although not a traditional CRM contract, the UK Government's flagship Work Programme contracts (see Case Study below) show how outsourcers can be positively incentivised to innovate towards a set of agreed outcomes.

Driven by the new digital reality, clients and outsourcers need to innovate their commercial structures, not just their delivery practices, or risk being shown up by the UK Public Sector!

Case Study: The DWP Work programme

Overview	Contractual terms
<ul style="list-style-type: none"> The 'Work Programme' is a welfare-to-work programme introduced by the UK Department for Work and Pensions in 2011, which aims to get the long-term unemployed into work Providers have flexibility to design programmes that will deliver, they then work with participants in order to find the jobs, and ensure they remain in them 	<ul style="list-style-type: none"> The contract is run through a 'Payment by Results' method, and providers get paid per each participant they get into work The fee per participant is structured as: <ul style="list-style-type: none"> A small "start fee", when a participant joins A 'job outcome' payment after a participant has been in a job for 3-6 months 'Sustained payments', every 4 weeks for up to 2 years

Multi-channel communication

The onward march of new contact channels

Multi-channel contact has been part of the CRM BPO industry since the rise of email in the late 1990s, but the number and variety of channels has exploded in the last 5 years.

Live chat

Live chat provides a quick, two-way interaction suitable for simple problem solving, often in support of self-service. The success of unsolicited Live Chat in converting prospective customers in an online retail environment has been significant (see our Case Study on BSKyB).

SMS

Suitable for broad and effective outbound customer communication and to allow for simple, structured interactions (e.g. customer satisfaction surveys). SMS can also be leveraged as a driver for self-service where customers are not online (e.g. the submission of utility meter readings).

Social Media

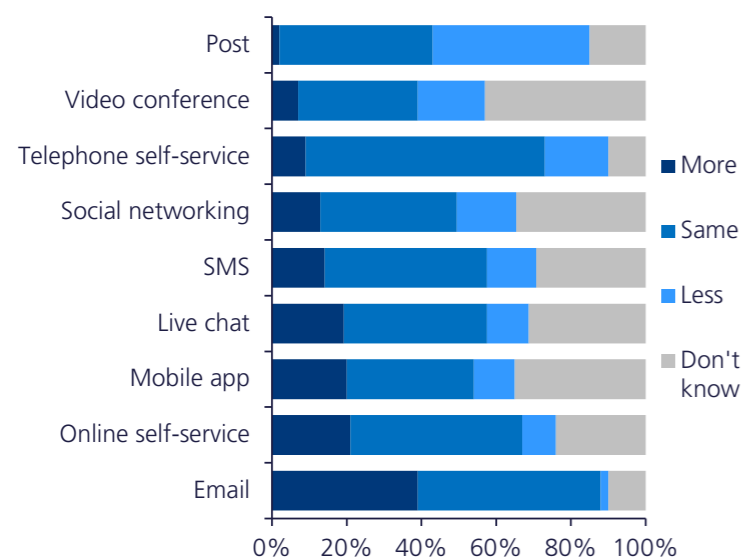
Although Social Media is being embraced strongly by corporate marketing teams for branding and customer messaging, its use as a channel for customer

interaction is still in its infancy. Leveraging a combination of YouTube, Facebook and Twitter offers opportunities to drive self-service, answer customer questions or to allow for customers to access account details.

A positive service experience around Social Media platforms also empowers customers to easily broadcast their experience. This is a practical demonstration of the move from customer satisfaction to customer advocacy.

Expectations of change in communication methods & costs of transaction¹

Q: How do you expect the way you communicate with organisations to change in the future?



Approximate cost to provider, per transaction

Call centre (technical support)	£7.00 and higher
Call centre (non-technical)	£3.50 and higher
Web chat	£3.00 and higher
Email response	£1.50 - £3.00 and higher
Web self-serve	£0.05 or less

Notes: ¹ CCA Global survey of 1,019 online customers in May 2011

Source: CCA Global – The Future of Service to 2016 – When transparency meets customer contact, 2011; Forrester research

Multi-channel communication

CRM providers are already responding to this multi-channel paradigm

Case Study: O2 & Capita

Overview	<ul style="list-style-type: none"> Capita manages O2's customer relationships, and has held this contract for 21 years Through a £31m investment, O2 is trying to transition from call centres to a focus on online and digital presence This includes scaling up and enhancing web chat, MyO2, O2's YouTube channel (Guru TV) and Twitter, as well as improving links between stores and online
Outcome	<ul style="list-style-type: none"> O2 has recorded a drop in call volume of 1m calls per month in the 2 year period from June 2011 to 2013 This has been complemented by an eight-fold increase in customer interactions through social media

Case Study: Virgin Atlantic & LivePerson

Overview	<ul style="list-style-type: none"> Virgin enabled live chat functionality, provided by LivePerson, in 2009 Email had been an unsatisfactory service channel; the average query took 3+ emails & 48 hours to resolve Sales conversion rates were low
Outcome	<ul style="list-style-type: none"> By 2012, chat conversion rates reached 23%. Customers who chat are 3.5 times more likely to be converted 8 chat agents are able to do the job previously done by 15 email agents Staff are able to work from home easily, with some staff opting to do so for 2 to 3 days per week, leading to increased staff retention

Case Study: US Airways

Overview	<ul style="list-style-type: none"> US Airways implemented a new IVR system in 2012, delivered by Nuance Communications By comparing the caller's purchase history and time of call to insight from past customer data, the system can proactively suggest the most likely reason for a call <ul style="list-style-type: none"> E.g. if you called up the morning of your flight the system would say "Hello XX, would you like to check the status of your flight to XX this morning?"
Outcome	<ul style="list-style-type: none"> This saves the customer from having to dial through several prompts in order to reach the required solution

Case Study: BSKyB & Firstsource

Overview	<ul style="list-style-type: none"> Sky implemented live chat functionality in 2012 with the aim of making online the preferred channel of information The service is outsourced to Firstsource and uses the LivePerson online chat platform
Outcome	<ul style="list-style-type: none"> Since the implementation of live chat: <ul style="list-style-type: none"> There has been a consistent 10-15% uplift in sales Revenue through live chat sales was over £3m in 6 months Net Promoter Scores increased to an average of +37 and there is 87% positive feedback from live chats The number of emails received by Sky is down by a third

Multi-channel communication

In a multi-channel world, a single-view of the customer has never been more of a differentiator

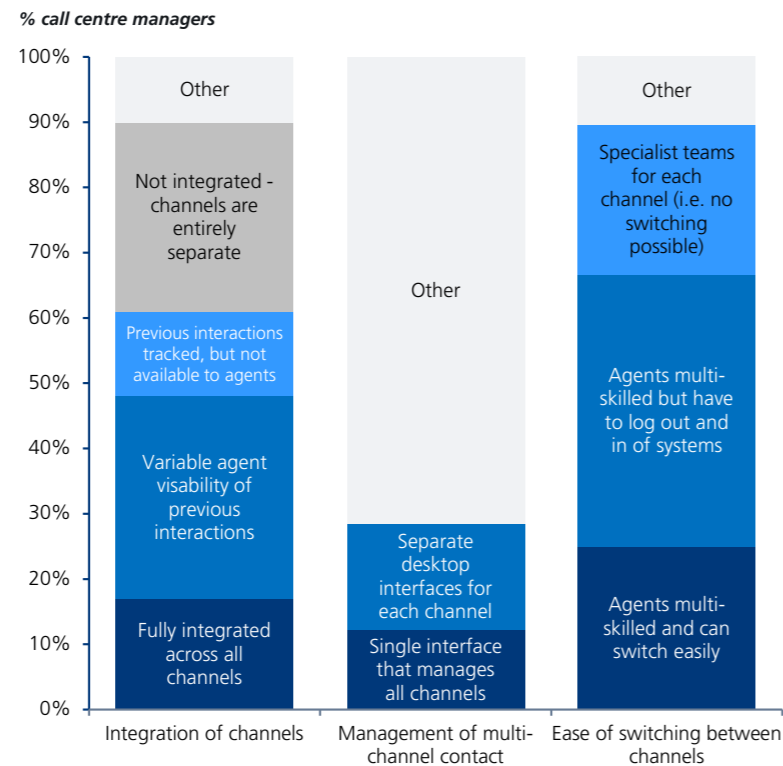
In a world where customer engagement channels are fragmenting, there is a significant risk that CRM outsourcers' view of the customer will also become more fractured and fragmented.

Today, the level of integration between customer systems is poor. Research by Vocalcom (see Chart), illustrates the current challenge of poor integration, the need for unproductive (and customer-frustrating) system switching, and in many cases the complete silo mentality that can exist between teams handling different forms of customer interaction.

“At a time when maintaining a single-view of the customer has never been harder, it has never been more valuable.”

The attitude of many providers is surprisingly *laissez-faire* on this issue, blaming client's disparate ERP landscapes for the absence of a single customer view. Today, these technical hurdles should not be considered an insurmountable challenge (see page 15), and at the same time, the frustration of customers experiencing a disjointed customer service

Current integration of channels, 2013



Source: Vocalcom – Meeting the multi-channel challenge, 2013

experience should be a real concern for the industry.

Beyond the obvious attraction of a multi-channel platform, research by Natterbox suggests that a disjointed experience is a significant cause of customer dissatisfaction with a CRM interaction.

CRM BPO providers that can deliver an integrated service experience can differentiate themselves in the market. By providing agents with a single-view of the customer,

outsourcers can empower agents to deepen each interaction with the customer.

Furthermore, building and maintaining a single customer view is a pre-requisite to value-added services around CRM data analytics (see page 17).

At a time when maintaining a single-view of the customer has never been harder, it has never been more valuable.

Remote contact agents

Remote agents are transforming centre operations

The proliferation of high quality broadband, VoIP and software deployed over the internet has led to the increasing popularity of contact centre agents working from home.

The rise of remote contact centre and remote agents raises the prospect of major changes to the delivery model and cost base of CRM BPO providers.

The US has embraced remote contact centres far faster than the UK. Working from home is more widely adopted in the US and this emerging industry can tap into large populations living far from a metropolitan area.

Advantages & disadvantages of remote contact agents

Advantages	Lower fixed costs	<ul style="list-style-type: none"> As employees are based at home, CRM providers do not incur fixed property and infrastructure costs <ul style="list-style-type: none"> Industry estimates are a 30% reduction in cost¹
	More qualified agents	<ul style="list-style-type: none"> CRM providers utilising remote agents have access to nationwide labour pools, and are not restricted to one city or region Flexible hours and an ability to work from home attracts qualified agents for whom a call centre job may not have otherwise been appealing or possible (e.g. stay at home parents, those living in rural communities) <ul style="list-style-type: none"> The average age of a remote agent is 38 vs. 23 for agents in brick-and-mortar contact centres² 80% of remote agents in the US have college degrees vs. 35% in centres²
	Peak time sourcing	<ul style="list-style-type: none"> A flexible workforce based at home enables CRM providers to have extra resources during peak call hours, which would not always be practical in a traditional environment
	BCP	<ul style="list-style-type: none"> Remote-working mitigates the Business Continuity risk of a denial-of-site event
	Higher employee retention	<ul style="list-style-type: none"> The ability for agents to work flexible hours and avoid travel time increases work satisfaction and leads to higher agent retention <ul style="list-style-type: none"> 50-80% annual attrition compared with over 100% in traditional US centres Utilisation is higher, and industry players quote figures in excess of 90%¹ compared to an average in-office utilisation of 56%³
Disadvantages	Lack of face-to-face comms.	<ul style="list-style-type: none"> Not having daily face-to-face communication with your workforce is seen as a disadvantage. 96%⁴ of UK contact centre managers cited this as a potential issue with remote working
	Slow internet connections	<ul style="list-style-type: none"> Internet speed can vary, especially in rural areas. 70% of UK contact centre managers cited this as a possible concern
	Low IT security	<ul style="list-style-type: none"> 47% of CCA Global research members⁵ surveyed stated security and compliance as a concern. Solutions exist such as secure IVR, enabling sensitive inputs to be captured without the agent. The use of a securing USB key to 'lock down' an agent's computer prevents unauthorised dissemination of data

Source: ¹- Arise research; ²- US Government Contact Center Council; ³- Forrester; ⁴- Frost & Sullivan; ⁵- CCA Global research

Remote contact agents

Remote agents are transforming centre operations

The number of remote agents is estimated to be growing at 25% p.a.

In the UK, adoption of remote call centres has been much slower, but research suggests c.60% of contact centres are already planning, trialling or practicing some form of Home Agent scheme.

The key issues around IT security are also being overcome with increasingly sophisticated solutions. Arise Virtual Solutions (see Case Study), a CRM BPO provider

operating a 100% virtual model has a solution sufficiently secure for patient healthcare records and salary & payment information.

The most often quoted benefit of remote agents are the cost savings available for outsourcers. Remote agents offer CRM outsourcers the opportunity to offer onshore services at nearshore economics.

In reality the most significant benefits are likely to be the flexibility of the technology

implicit in the model and the opportunity to improve the skill and quality of CRM agents by accessing new labour pools.

Remote agents, coupled with increasing self-service, threaten those outsourcers who are commercially dependent on a lowest cost model based on massive centre scale or lowest cost locations.

This element of the 'new norm' will allow smaller, technology-savvy providers to level the playing field without such scale economies.

Case Study: Arise Virtual solutions

Overview	<ul style="list-style-type: none"> Arise is a CRM BPO outsourcer operating a 100% virtual model Using a network of pre-qualified independent businesses and agents, Arise provides services without central offices, relying instead on their agent's geographically dispersed home offices Arise provides an holistic CRM solution (voice, email, live chat, text and social media) Operations in Canada, UK & USA
Clients	<ul style="list-style-type: none"> 33% of Arise clients are Fortune 500 companies <ul style="list-style-type: none"> Key clients include BT, Staples, RAC, Sky, AAA, Orkin and Carnival
Advantages	<ul style="list-style-type: none"> Cost & agent quality: Working with a major US telecom company focused on enhancing First Call Resolution and CSAT, Arise focused on recruiting agents with enhanced work experience and prior business experience. As a result, across a panel of 7 providers, Arise achieved the best KPI performance around First Call Resolution, while achieving a cost per call 20% lower than the average. Flexibility: Remote working allows Arise to be extremely flexible in how resources are ramped-up and down to meet client needs. In a contract with an internet retailer Arise was able to flex to 125% resourcing during peak periods and delivered a 170% intraday flex over the contract. Speed of ramp-up: In a contract for the world's largest online retailer Arise launched a program in 6 weeks, sourcing agents from a specific sub-set of US States. The programme then ramped to 375 agents within 1 month of 'go-live'.

Source: www.arise.com; Credo interview

BPaaS enabling technologies

BPaaS enabling technologies are changing the role of software in CRM

A client's ERP landscape is often a major inhibitor to change, particularly to process improvement, in any BPO contract. New enabling technologies are removing the obstacle.

Across the BPO industry the transition to a first generation outsourcing arrangement or even the transition between service providers is often marked by an expensive and disruptive investment in IT systems. By transforming a client's underlying solution, an outsourcer has a solid basis for efficiencies and, according to conventional wisdom, is not reliant on a "your mess for less" value proposition.

"Imagine a world where outsourcers could leverage economical software to transform process in spite of their client's ERP."

IT system change is by its very nature expensive, time consuming and risky. The Said Business School's brilliant 'Black Swan' analysis¹ highlights the chance of significantly negative outcomes from ERP system implementation.

Around CRM systems the risk is heightened by the frontline

nature of the solution. Mistakes in implementation will be felt first and foremost by customers. The now infamous examples of BSKyB and British Gas CRM system upgrades (supported by EDS and Accenture respectively) provide a warning to the industry.

The traditional reliance of outsourcers on their client's systems has reinforced the reality that CRM BPO providers are often bringing very limited IP to a CRM contract. Contracts are often won or lost on price because outsourcers struggle to differentiate on quality.

Imagine a world where outsourcers could leverage economical software to transform processes 'in spite of' their client's ERP. Not only would this allow them to innovate faster than the behemoths of business software, but would mean they were bringing a software & service solution to CRM contracts; creating service and quality differentiation.

The explosion of SaaS software solutions has included the rise of BPaaS enabling technologies that don't rely on costly integration or the installation of middleware. By working in the 'user layer' they offer a pragmatic way to make up for the gaps in ERP functionality. These technologies are well

typified by Robotic Process Automation software (see Case Study: Blue Prism), but for CRM providers they also offer an opportunity to innovate around multi-channel CRM and maintain a single-view of the customer even as the number of channels multiplies.

"These technologies can deliver a 'single-view of the customer' that previously would not have been practical."

As providers look to adopt new channels, they are inevitably drawn to best-of-breed suppliers rather than waiting for ERP software to catch-up. The result is often the silo-ing of systems, processes and most importantly, details of customer interaction.

Enabling technologies like Rostrvm or Zendesk (see Case Study) sit over-and-above an existing software landscape. Cloud-based and often relatively inexpensive to license, this software offers CRM BPaaS providers the dual advantage of deployment without costly and lengthy negotiation, and also the opportunity for the BPaaS provider to bring a cost-effective software solution as part of their IP and process methodology.

Source: ¹ Harvard Business Review, "Why your IT project may be riskier than you think", September 2011

BPaaS enabling technologies

BPaaS enabling technologies are changing the role of software in CRM

As an overlay, these tools can act as the glue between different systems and channels, bringing disparate details of a customer together on an agent's workstation. These technologies can deliver a single-view of the customer that previously would not have been practical.

The common attributes of these BPaaS-enabling technologies are their deployment philosophy, risk profile and commercial model. At Credo, we consider them 'in spite of' software as they can be leverages to solve CRM problems 'in spite of' legacy ERP solutions.

At a quick glance, adding another 'sticking plaster' layer of software can seem short-sighted. Actually our experience suggests it can be incredibly pragmatic. This deployment philosophy is also risk-free precisely because it does not interfere with underlying business process planning.

Commercially, this software is significantly cheaper to deploy, and is typically licensed under Saas pay-as-you-use model.

These attributes mean that companies and outsourcers have access to powerful technologies capable of solving a number of traditional CRM challenges.

Case Study: Blue Prism	
Overview	<ul style="list-style-type: none"> Robotic Process Automation software that allows companies to rapidly automate manual, rule-based, back office administrative processes without the need for ERP system change or integration
Key features	<ul style="list-style-type: none"> The 'Robots' are deployed across a documented process and act in the 'user layer' of existing applications e.g. <ul style="list-style-type: none"> Rekeying data from one application to another Completing repetitive rules-based tasks in an application Although not true integration, these robots offer significant advantages in accuracy and productivity <ul style="list-style-type: none"> Although the robots cannot in principle operate faster than a human, they don't take breaks and work 24x7 The robots are charged for on a per-robot basis, at an annual cost similar to an offshore employee

Case Study: ZenDesk	
Overview	<ul style="list-style-type: none"> Multichannel customer communication system for use by customer service agents, overlaid onto existing CRM software Addresses multiple channels including email, Twitter, live chat, Facebook and phone calls (by transcription)
Key features	<ul style="list-style-type: none"> Common points and complaints raised are tracked using a flag system, allowing for basic data analysis <ul style="list-style-type: none"> Significant increases or decreases in a flag can be reported to the client Ability to integrate contact records by customers across multiple channels, using a unique customer ID assigned by operating agents Remote working of agents is enabled, with all phone calls routed through the online system

BPaaS enabling technologies

The rise of CRM data analytics

As outsourcers move to leverage their own software tools within a CRM service contract, the opportunity to provide real customer insight is growing.

The trend towards Big Data is emphasising the value that companies can generate by bringing new insight from data that was previously too big, complex or difficult to analyse.

CRM outsourcers have a unique opportunity to provide customer insight to their clients. They are in a privileged position to hear the 'voice of the customer', and should be able to leverage insight across multiple clients.

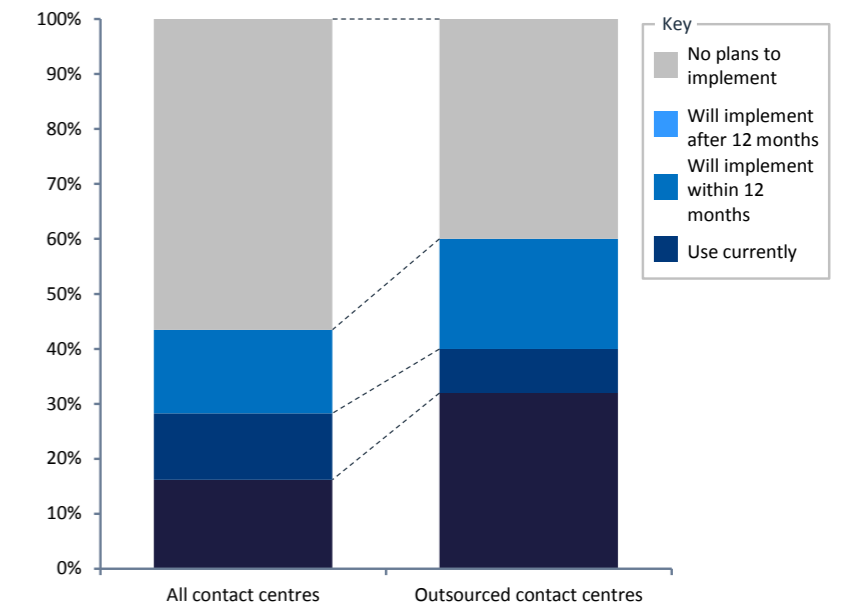
In reality, a minority of contact centres have deployed the types of tools necessary to extract this insight from analytics (see chart), but this ability holds the key to further differentiation and a move up the value chain. Capita and IBM stand out as

"CRM outsourcers have a unique opportunity to provide customer insight to their clients."

major outsourcers investing in Data Analytics capabilities, but the necessary tools for this sort of analysis are now available economically to all CRM outsourcers.

Use of interaction analytics by type of contact centre

% contact centre managers¹



Notes: ¹ From survey of 210 contact managers and directors, carried out in May 2013
Source: Contact Babel – Inner circle guide to customer contact analytics, 2013

Case Study: Alteryx alteryx	
Overview	<ul style="list-style-type: none"> Alteryx offers data blending and analytic software designed to bridge the gap between Business Analysts descending into their own Excel or Access data tools and/or relying on significant fixed IT & data integration <ul style="list-style-type: none"> In common with other enabling technologies, the software operates 'in spite of' a company's ERP landscape
Key features	<ul style="list-style-type: none"> Alteryx allows companies to access, cleanse & 'blend' data across multiple sources e.g. to allow for multi-channel customer profiling <ul style="list-style-type: none"> Customer data can then be enriched with third party demographic or geo-spatial data A specific analysis process can be automated within the workflow so it can be repeated and/or scheduled Alteryx software can then be integrated with visualization products such as Tableau and QlikView

Conclusion: Opportunities for CRM The 'new norm' value chain in CRM BPO

CRM BPO providers, in common with the wider BPO industry are always looking for opportunities for margin enhancement.

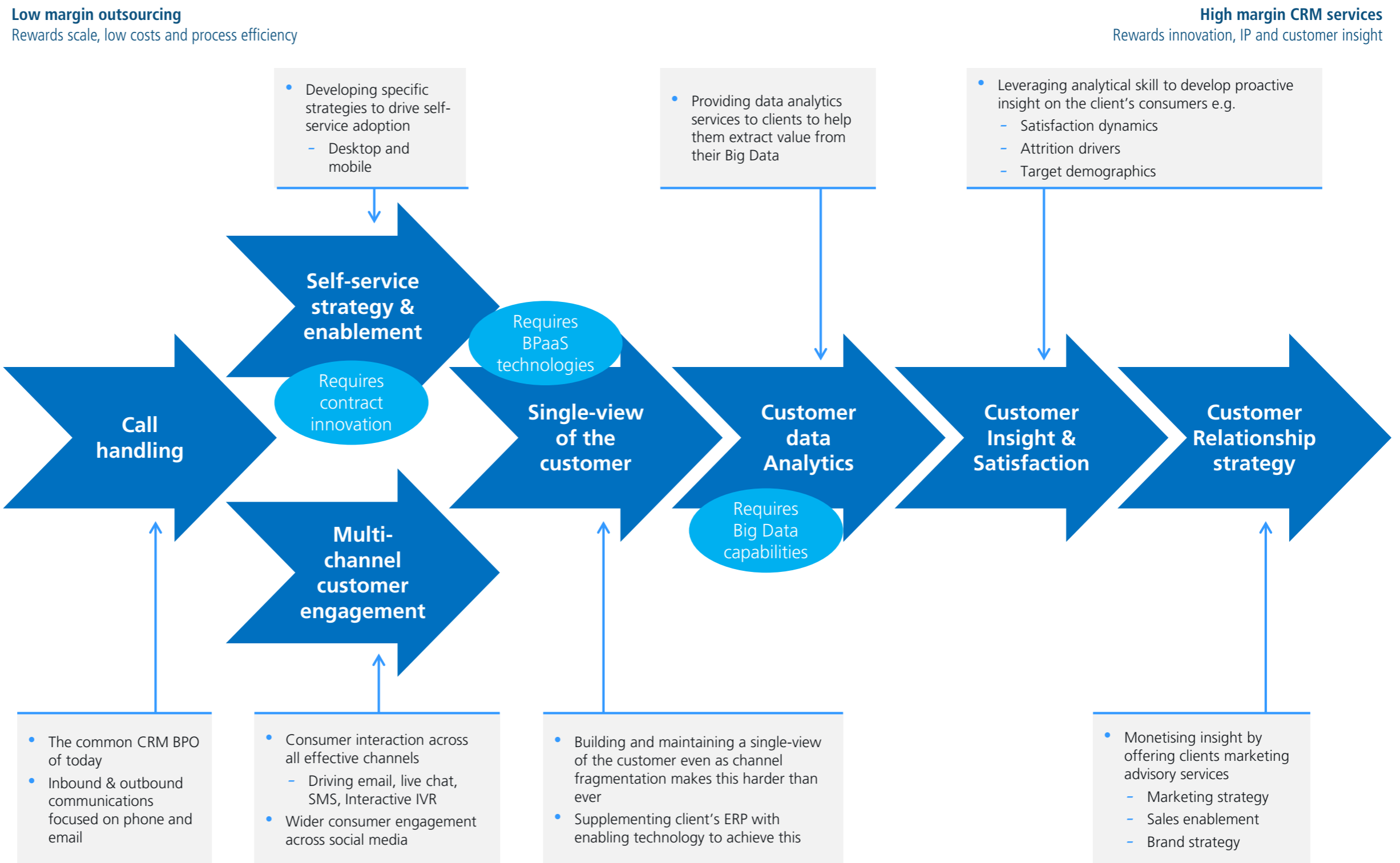
Similarly clients are constantly asking outsourcers to be more consultative and help them focus on solutions rather than a service.

The elements of the new digital reality in CRM offer suppliers and clients the opportunity to meet both of these needs.

At a time of rapid digital change, clients are looking to CRM BPO providers to innovate, and for those providers willing to do so, this offers opportunities for differentiation, and the erection of barriers to switching and price gauging.

Beyond such innovation, CRM players are uniquely positioned to extract benefit from the underlying data 'at their fingertips'.

As data analytics turns to insight and eventually advisory activity CRM providers have the opportunity to provide higher margin incremental services to their clients where they can differentiate on expertise rather than relying on cost and process efficiency.



The 'new norm' in CRM BPO

Despite perception, our research suggests that the final digital reality for the CRM industry has only 'dawned' recently. As such the impact on the traditional model of inbound and outbound phone agents is far from complete.

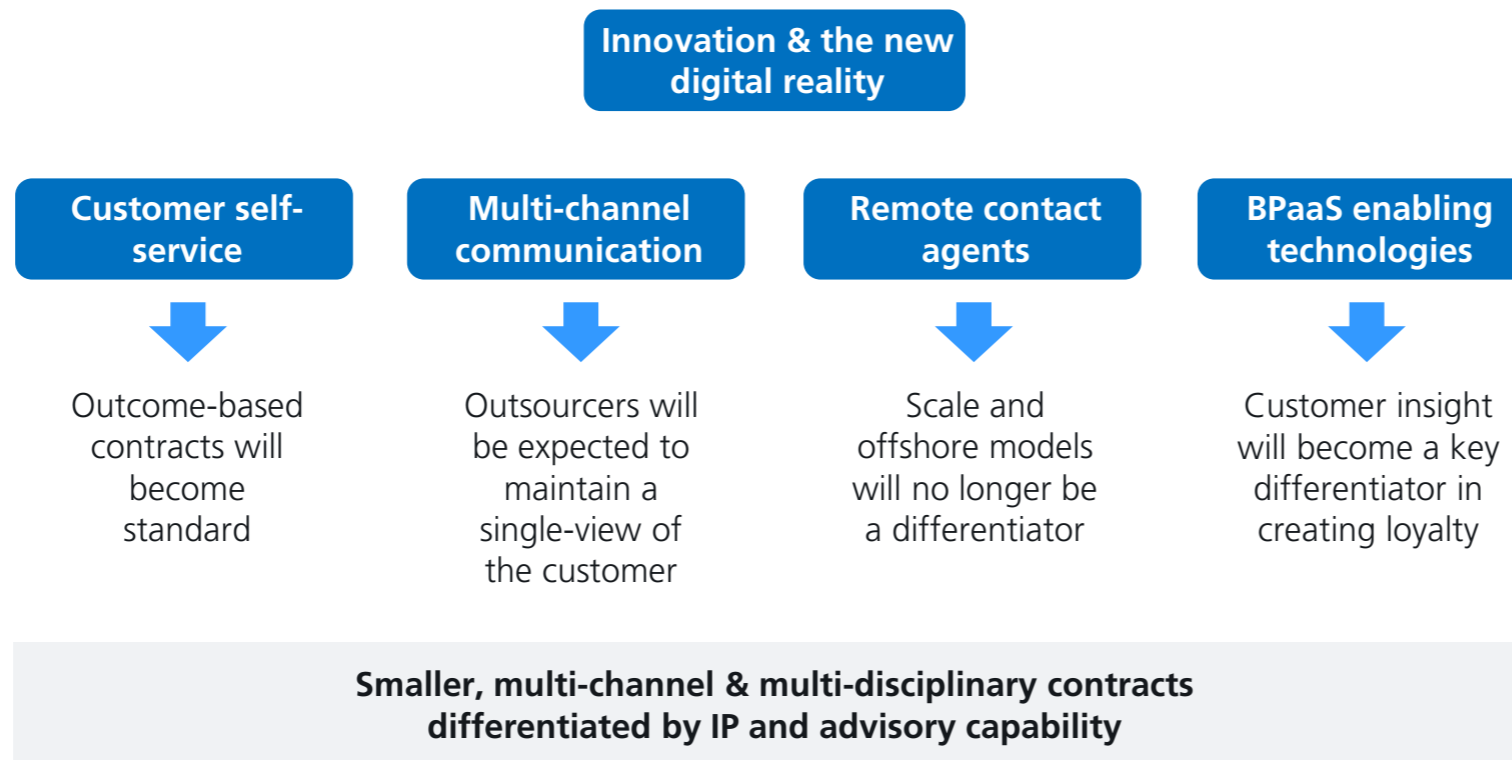
Trend 1: Customer Self-service

The ever-increasing share of interactions completed as self-service (by web, on app or via IVR), will challenge companies to evolve, and force the CRM BPO industry to innovate beyond contracts based on cost-plus/input or transaction models, to allow contracts that explicitly incentivise self-service innovation.

Trend 2: Multi-channel communication

As customers demand a multi-channel experience from companies, the CRM industry will continue to innovate, but will also be forced to address the long-running issue of siloed customer information and the common lack of a single-view.

"There is an opportunity for multi-disciplinary capabilities based in technology and IP rather than scale and wage arbitrage."



Trend 3: Remote contact agents

The trend towards remote agents, coupled with overall decline in transaction volumes and the decline in traditional voice interactions, will mean scale and an offshore presence are no longer a differentiator. Nimble, innovative newcomers will be able to compete.

Trend 4: BPaaS enabling technologies

The emergence of new enabling technologies will give companies and outsourcers new tools to innovate 'in spite of' ERP software limitations. Whether these technologies

help improve process management, enable a single-view of the customer or support customer data analytics, they empower outsourcers to combine a level of IP differentiation with their service offering.

At Credo, we believe the ultimate impacts of these changes are likely to be far-reaching.

Impact 1: Smaller contracts

Traditional mass-voice contracts will become smaller as volumes evolve into self-service transactions or into other

channels. In the past the pricing of these contracts has been legitimated by the size of the necessary agent population and so contract revenues are likely to decline.

Impact 2: Rewards for innovation

Contracts in the 'new norm' will instead begin to reward those outsourcers that offer a service proposition based on innovation rather than rewarding the cheapest bid coupled with the toughest SLAs. Such propositions will need to include elements of self-service enablement;

multi-channel communication, and the use of enabling technologies. The commercial models underpinning these contracts will consequently need to evolve. Cost/input-based or transaction-based models are not appropriate to outsourcing arrangements that should explicitly work to minimise both of these.

Innovation in this form will necessitate the deployment of software, and more specifically the 'in spite of' software that enables outsourcers and companies to deliver a single-view of the customer and appropriate analytics 'in spite of' the CRM ERP systems in place today.

Impact 3. Outsourcers as advisors

In the 'new norm', as outsourcers move to offer services based on smaller, multi-channel and IP-differentiated CRM contracts, there is an opportunity to move up the value-chain, establishing multi-disciplinary capabilities that help advise clients on how best to manage the relationship with their customers. As well as advising on customer engagement and relationship strategies, CRM outsourcers will have the opportunity to provide insight and intelligence specific to a customer population, feeding directly into Branding, Marketing & Sales strategy.

Taken together these trends and associated impacts signal an opportunity for companies and CRM outsourcers willing to embrace the new digital reality. An opportunity rooted in enhanced service quality, improved customer experience and higher margin 'value-add' activity.

Conversely, for those outsourcers shackled to the 'old norm', this digital reality poses a significant threat. Companies and CRM outsourcers for whom service delivery strategy remains

"The 'new norm' in CRM is nothing short of an opportunity to transform from customer frustration and contact centres to Customer Relationship Management."

scale delivery centres, wage arbitrage and low cost delivery will find themselves increasingly outdated and their services unwanted.

The 'new norm' in CRM and CRM BPO is nothing short of an opportunity to transform the industry from one of customer frustration and contact centres to one of Customer Relationship Management.

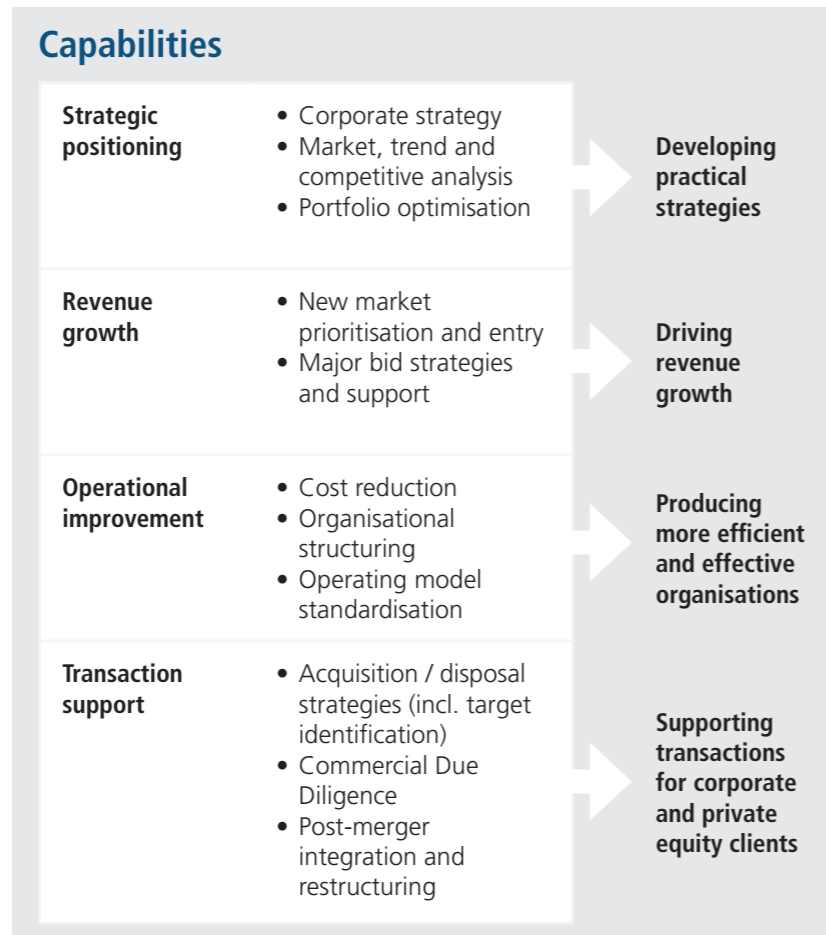
About Credo

Credo is a leading strategy consultancy with 15 years of expertise in the CRM arena. Our clients include software providers, outsourcing providers to the public and private sectors, customer insight organisations and corporates.

We have worked with leading companies in the CRM market, supporting them in issues ranging from: corporate strategy and M&A; performance strategies and major bid support; through to target operating model implementation; restructuring and cost reduction.

We employ a team of more than 60 world-class professionals across offices in London & Dubai. We operate globally and have carried out assignments in over 45 countries.

If you would like to understand more about how Credo could support you, please contact us.



Tim Nixon
Partner

Tim leads Credo's IT Services practise, with a particular focus on BPO. Tim has significant consulting & general management experience across the sector having lived and worked in the UK, Europe, India, South East Asia and the US.



Andrew Marsh
Special Advisor

Andrew has extensive experience of IT services & CRM BPO, having held senior executive positions at Atos, Logica and CGI. Andrew supports Credo's thought leadership & execution on BPO.

Contact

Tim Nixon

tim.nixon@credoconsulting.com

+44 (0)20 3206 8800

London Office

12 Arthur Street

London , EC4R 9AB

United Kingdom

Dubai Office

2908 PLatinum Tower

Jumeirah Lake Towers

Dubai

