

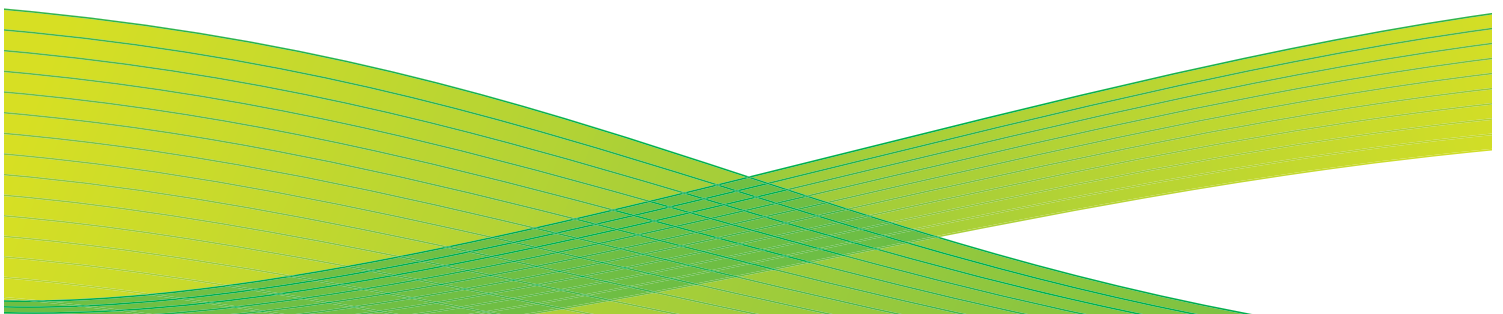
Communications Outsourcing: Seven Steps for Success

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July 2011

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Creating Outsourcing Success: Avoid the Pitfalls and Gain Competitive Advantage Through High Impact Customer Communications

Chances are your organization already outsources some, if not many, of its operations. Today, outsourcing is a strategic initiative that includes vital aspects of the business such as IT, Human Resources, Call Center, Manufacturing and Accounts Payable. This paper focuses on outsourcing another critical area—customer communications: multi-channel communications that help companies acquire new customers, welcome and on-board customers, service them and cultivate their loyalty by engaging them in a 1:1 marketing conversation.

When all of your customer communication touchpoints are integrated—web, customer service, marketing communications, point of sale—you can continually learn more about all customers, their buying and service history, preferences and concerns, so you can increase the relevance of your communications and offers.

While most outsourcing strategies have a primary goal of saving money, if done right, the benefits of having a world-class customer communications outsourcing partner can go far beyond lowering costs. It can impact both sides of the profit equation—cost savings and revenue growth.

With the explosion in new media, new touchpoints and new tools for 1:1 cross-channel communications, there has never been a greater need or a better time to take a more holistic approach to customer communications. It's a complex landscape, so choosing the ideal outsourcing partner requires careful consideration.

The real opportunity is finding the partner that will deliver innovation over the long term and provide a sustainable competitive advantage in this critical arena. After all, even small incremental improvements in customer loyalty have been shown to have a dramatic impact on overall profitability. Lower costs, greater customer retention, increased marketing ROI and overall profitability—that's strategic outsourcing at its best. Here are some lessons learned, based on many years of assessing and implementing customer communications outsourcing solutions.

Getting Started

1. Define a Strategy with Measurable Goals

Too often, vendor-client relationships start out with great excitement only to lose momentum over time. If outsourcing is based on filling a purely functional or commodity role, and not a strategic one, the relationship tends to be based primarily on cost and tends to grow stale over time. For example, many providers can meet the initial cost challenge of managing and delivering documents such as financial statements, marketing collateral, compliance documentation and so forth. However, if there is no plan to improve the quality, effectiveness and efficiency of those communications during the life of the contract, there is plenty of incentive to shop around.

"Outsourcing customer communications can be an effective way to bring world-class capabilities to your organization that can impact both sides of the profit equation—cost savings and revenue growth."

– Susan Kelly

The only way to make the relationship grow stronger is to build a series of measurable goals into the contract Service Level Agreements (SLAs). Beyond the volume, timeline and unit cost goals, a good customer communications outsourcing relationship will be based on mutually beneficial goals for:

- Optimizing customer retention and increasing brand loyalty and equity
- Reducing costs in call center and support administration
- Accelerating customer on-boarding cycle time
- Improving customer satisfaction scores
- Reducing risk and complying with laws and regulations
- Automating customer communications infrastructure for maximum efficiency

Ongoing communications are critical to good working relationships. Scheduling regular vendor-client forums, such as Quarterly Business Reviews (QBRs), to review progress will keep the lines open for issues and opportunities.

Beyond production printing, understanding the larger business issues is key to developing a long-term path for the relationship. Setting meaningful and attainable goals will provide motivation on both sides. The first question you have to ask is “When dealing with communication outsourcing, what problem(s) are we trying to solve or what opportunities are we trying to capture?”

2. Conduct a Communications Assessment

Once you’ve identified the strategic goals for the engagement, the work begins. Due diligence is the only way to establish a baseline for the vendor-client relationship. This is the discovery phase where you uncover the issues and establish requirements. Conducting a formal in-depth Communications Assessment is an excellent way to scorecard your current state.

This disciplined approach of asking the right questions of the right people, gathering the right data and mapping the current process quickly identifies opportunities for improvements. In short, this is the best way to fast track the business case and establish a desired future state for the relationship...a blueprint for success.

For example, customer communications in healthcare and financial services are extremely complex because of the nature of the information. Sensitive material is governed by regulatory agencies including personally identifiable information (PII) and full-disclosure documents.

The assessment questions have to delve deep. How is that data delivered? How is privacy preserved? What happens to the data after documents are delivered to consumers? In lieu of these efforts, projects can fail with disastrous and costly results. When even small unintentional errors are made and compliance regulations are not met, the consequences can be costly, and the root cause must be discovered and repaired. We all know the added expense and stress of trying to diagnose the problem and fix it on the fly. Not only is it more expensive, it involves a high degree of risk for all parties, putting professional reputations and business relationships in jeopardy. Even with the best adherence to a project management methodology, an upfront thorough due diligence must be completed. Subject matter experts need to constantly monitor, challenge and validate in-process project results.

Charting Your Course

3. Adopt a Comprehensive Change Management Strategy

Communication Assessments will bring to the surface issues that have to be addressed prior to implementation. Change management acknowledges that no matter how thorough you have been up front, there will be bumps in the road during the transition.

Establishing new procedures has sweeping effects that go beyond IT and procurement because of the sheer number of customer touchpoints, multiple lines of business, and stakeholders involved. It is important for all involved to understand additional or changing support requirements, especially in the critical first few months. These may include technical and end-user support, either on-site or in call centers. Due to the complexity of customer communications services, change management often focuses primarily on the tangible deliverables in the contract, when in reality, changes occurring in other areas of the organization may have unforeseen consequences.

For example, what if the company's IT department (which is not being outsourced) is making significant changes to the applications that generate and/or impact documents such as quarterly financial statements, Welcome Kits and so forth? Do they realize their changes could have a dramatic impact on the process of creating and producing these documents? Often, there are situations where a small change upstream can turn into a much bigger job downstream. For example, in one account what used to be 200 print jobs to create 6 million images became 7,000 print jobs for the same number of images. This dropped operational productivity from 85% to 20% and brought the production process to its knees.

An outsourcing relationship that values change management will find it easier to identify impacts and adapt to the new reality.

4. Selecting the Low Bidder Isn't Always Best

The risks associated with poorly planned and executed customer communications are enormous. Common service level defects include late mailings, compliance violations from "double stuffs" (person A's statement in person B's envelope) and incorrect letterhead or logos. These defects often result in expensive call center inquiries and can cause irreparable harm to both customer relationships and "word of mouth" brand equity.

When outsourcing customer communications, keep in mind the low-cost provider may not be the best value. One automotive manufacturer picked the lowest bidder to translate car manuals and online support. The new service had so many quality problems, it led to customer dissatisfaction and dealer complaints. Twelve months later, the manufacturer is issuing a new RFP.

Here's one more thing to consider. If the purpose of an RFP-based selection process is to identify the lowest-cost provider, then innovation and real opportunities for savings tend to go on the back burner. A great deal of time, cost and energy is spent creating or responding to RFPs, RFIs, RFQs, RFXs, Tenders and so forth. All too often, less time is spent understanding the business strategy and creating a collaborative environment to develop a genuine partnership. Bids to produce critical customer communications often commoditize crucial services. This evokes a low-bid response that often misses the opportunity for providers to deliver long-term benefits and impact a company's strategic objective on a significantly larger scale.

For example, the shift to online communications is irreversible, but organizations still have to provide print and electronic communications. Many times, RFPs do not articulate the need for subject matter expertise to help with the new cross-channel, interactive, media-rich communications landscape. In economic times of decreasing budgets, it's critical to have a provider that has proven expertise to provide you with a sustainable roadmap of business performance and continuous improvement.

5. Get the Support of a High-Level Executive

A strategic partnership succeeds when both sides have skin in the game. History has shown that partnerships have a much greater chance to flourish with the support of a C-level executive. Customer communications are a vital aspect of the organization. When outsourcing communication services, this initiative needs the support of key stakeholders to establish and enforce policies and procedures, and act as arbitrator when multiple lines of business weigh in with different agendas.

Un-sponsored or rogue projects rarely engage the right people and often fail to deliver the higher value of an appropriately sponsored strategic partnership.

Making it Happen

6. Build a True Partnership

This essentially comes down to client/vendor chemistry. In other words, good fit equals good service. It's more than just technology and capabilities. It's about creating a shared vision. Companies and outsourcing partners should be aligned with common interests, such as jointly developing the business case supporting the decision to outsource, making decisions based on facts and monitoring the operations with thorough data gathering and well-defined metrics. Almost any relationship can navigate calm seas. It's when the seas get rough that true partnerships are tested. The ones that are built on trust, confidence and shared mutual goals make it to safe harbor. When choosing a vendor as a partner, imagine that you're assembling a yacht racing team, and then:

- Chart the course very carefully from start to finish line
- Share the vision, understand the strategy and be aware of the competitive landscape
- Make sure everyone has a defined role, tacking or jibing in the same direction at the same time
- Balance strengths and share responsibility so nobody gets burned out
- Provide decisive leadership, so you don't end up going in circles

It's a long race that requires teamwork, so you'd better like the people with whom you're sailing.

7. Create and Measure Regularly to Assess Success

After the goals are set, simply tracking the top-line milestones such as delivery dates and unit costs doesn't cut it. Business users want meaningful reports, information and insights. That requires a lot of hard work collecting and analyzing the actual data relative to projections, SLAs, milestones and so forth. The right metrics and regular reporting build confidence and trust, and help sustain the relationship while solidifying your choice of partner.

For example, in a strategic customer communications outsourcing relationship, the focus needs to be on the business outcome of the communications. Are we reducing support calls to the Call Center? Are we increasing responses to our marketing campaigns? Are we meeting cost reduction benchmarks? Without the facts to guide future decisions and improvements, these are merely rhetorical questions. For example, if all you look at is unit cost, you may be able to squeeze fractions of pennies out of the cost of a single statement and think you're on the right track. But if your statements increase calls to the Customer Service Center, all of your savings go out the window because every call costs many times the achieved print savings (even if you outsource the Call Center!).

In summary, strategic outsourcing becomes a logical choice when it goes beyond compartmentalization of a single activity, program or department. The opportunity is in understanding the importance of integrating multiple customer touchpoints to improve the effectiveness and efficiency of customer communications. It's in recognizing the importance of timely, accurate, relevant messaging and offers. The economic benefits are significantly more substantial when the right partner is at the helm.

When Outsourcing Succeeds. Real-world Examples.

For most government executives, document processing seems like a simple process to outsource in order to gain cost savings and improved capabilities. With mandated headcount reductions and spending cuts, the United Kingdom's Department of Works and Pensions (DWP) outsourced their citizen communications to rapidly improve citizen services—accessibility, complaint reduction, improved public perception.

By partnering with Xerox, DWP leveraged a single service management infrastructure to consolidate their supply chain across their multi-channel citizen communications. Going the next step, DWP took advantage of multiple media access, eCatalogue, Contact Centers, Reprographic Centers and Document Advisors.

This allowed a public agency to take a huge leap forward, modernizing their processes and moving quickly to electronic customer-focused benefit services. Citizen services satisfaction has increased due to faster response and more accurate, more convenient and more secure communications. And DWP was able to meet their cost savings with the degree of certainty that public institutions demand today.

For Guardian Life, the inability to produce customized broker sales guides was causing document obsolescence, slow time to market for collateral delivery, and a high cost for storing and distributing pre-printed collateral. Xerox Communication and Marketing Services delivered an easy-to-use Web portal, providing instant access to a comprehensive online portfolio of sales collateral. Not only did the client have a single, reliable provider for Web design, application architecture and development, automated archiving and off-site Web hosting, they also had a cost-effective, outsourced service solution.

Outsourcing to the next level of marketing automation gave the client highly relevant, targeted customer communications with rapid acceptance and utilization by 100% of Guardian's regional group sales offices. Real-time managed content eliminated document obsolescence and improved industry compliance and management control. And significant, permanent cost reductions were achieved through reduced printing, shipping and storage costs.

These are just two examples that demonstrate how establishing a shared vision can lead to a successful outsourcing partnership.

About the Author

For more on Susan Kelly, click the full biography link below.

www.xerox.com/thoughtleadership_susankelly

About Xerox Services

Xerox Corporation is a world leader in business process, information technology and document outsourcing services. Our unique combination of industry expertise and global delivery capabilities helps you reduce costs, streamline operational processes and grow revenue while clearing the way for you to focus on what you do best: your real business.

Susan Kelly

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