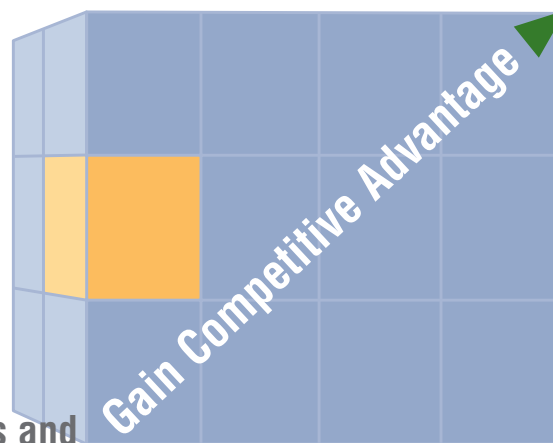


Creating Outsourcing Success:

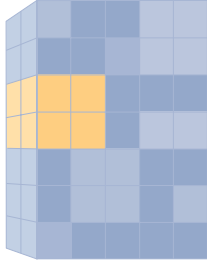
Avoid the Pitfalls and



Through **High Impact** Customer Communications

“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.**”

– Bryan Baker



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

- Chances are your organization already outsources some aspect of its operations. **In the past, companies would only outsource non-vital aspects**, such as the food service and vending, office cleaning, etc., where opportunities for innovation are of little consequence and low-cost is an acceptable criteria.
- **Today, outsourcing is a strategic initiative in many organizations** and 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.** These are the multi-channel communications that help companies acquire new customers, welcome and on-board those customers, service them and cultivate their loyalty.

While most outsourcing strategies have a primary goal of saving money, if done right, the benefits can go far beyond lower costs.

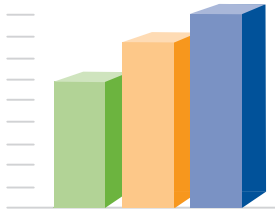
- **Outsourcing customer communications can be an effective way to bring world-class capabilities to your organization** that can impact both sides of the profit equation – cost savings and revenue growth.
- **The key is to combine competitive pricing with innovation to gain a competitive advantage.**

Here are some lessons learned, based on 12 years of assessing and implementing customer communications outsourcing solutions.

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1

Define a Strategy with Measurable Goals



- **Too often, vendor-client relationships start out great only to lose momentum and grow stale over time.** Invariably, this is when outsourcing is based on filling a functional role and not a strategic one. For example, you can find many providers to meet the challenge of creating, managing and delivering documents such as bills, EOBs, financial statements, etc. However, if there is no innovation planned and executed during this partnership, the client is often frustrated during or at the end of the contract.

- **It's like any other kind of relationship—if it doesn't grow stronger, it grows stale.**

- The only way to **make the relationship grow stronger is to build in a series of measurable goals and write them into the contract.** For example, beyond the volume, timeline and unit cost goals, a good customer communications outsourcing relationship will set goals for:

- Optimizing customer retention
- Reducing call center costs
- Complying with laws and regulations
- Optimizing customer communications infrastructure

The opportunity is in understanding that these communications are important touch points and their accuracy, timeliness and relevance are critical to customer satisfaction and trust.

The risks associated with poorly planned and executed customer communications outsourcing contracts are enormous. Common service level defects include: late mailings, compliance violations from “double stuffs” (person A’s statement in person B’s envelope), incorrect letterhead or logos. These defects often result in expensive call center inquiries and can cause irreparable harm to customer relationships.

- **Understanding the larger business issues is key to developing a long-term path for the relationship** with meaningful and attainable goals that provide motivation on both sides.

The first question you have to ask is: “What problem(s) are we trying to solve or what opportunity are we trying to capture?”

2

Conduct a Rigorous Current State Assessment



- Once you've identified the strategic goals for the engagement, the in-depth work begins. **Due diligence is the only way to establish a baseline for the relationship.**

This is the discovery phase where you uncover the issues and establish requirements.
- **This must be an exhaustive assessment of the current state**, including all technical considerations, cultural impacts (how resistant to change is the organization?) and external factors.

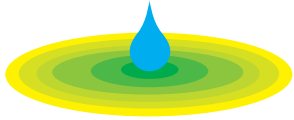
This requires a disciplined approach to asking the right questions of the right people, gathering the right data, mapping the current process and identifying opportunities for improvements.
- **In short, this is the only way to build the business case and the desired future state for the relationship...a blueprint for success.**
- **Often there is a tendency to accelerate, collapse or cut short this assessment due to time constraints.** Projects where the due diligence effort was cut short and assumptions made in its absence are prone to fail. The project goes to implementation with limited or no risk analysis performed to gauge the likelihood and impact of something bad happening.

For example, customer communications in healthcare and financial services are extremely complex because of the nature of the information. There is sensitive material that is governed by regulatory agencies including personally identifiable information (PII) and full-disclosure documents. How is that data delivered? How is the confidentiality preserved? What happens to the data after production?

In lieu of these efforts, projects can fail with disastrous and costly results. This is when "SOS due diligence" occurs; bringing a focused team together to find out why the boat is sinking, while it's sinking. 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 and places careers, reputations and the relationship in jeopardy.
- Even with the best adherence to a project management methodology, due diligence must be completed and subject matter experts need to constantly monitor, challenge and validate in-process project results.

3

**Adopt a
Comprehensive
Change Management
Strategy**



Due diligence will bring to the surface many issues that have to be addressed in advance of implementation. **Change management acknowledges that no matter how thorough you have been up front, there will be bumps in the road during the transition** and throughout the evolution of the relationship.

Establishing new procedures has sweeping effects beyond IT and procurement. Typically, these **new procedures cross multiple lines of business and multiple populations**. It is important for all sides to understand the additional or different support requirements especially in the critical first few months. These may include technical and end-user support, either in the form of on-site staff or hotlines.

Due to the complexity of outsourcing customer communications services, change management often focuses primarily on the tangible deliverables in the contract.

For example, at any point in the relationship a provider may install new technology, workflow and/or hire new staff. These efforts are normally on the radar for scope creep and go through the change management process when changes occur.

What if outside of this radar screen, the company's IT department (which is not being outsourced) is making significant changes to the applications that generate and/or impact those quarterly financial statements? Do they realize their **changes could have a dramatic impact on the process capability to create these documents**? Sometimes they don't. Often, there are situations that occur where a small change upstream can turn into a much bigger job. For example, 200 print jobs to create 6 million images can result in 7,000 print jobs for the same number of images. This can drop operational productivity from 85% to 20%; and bring the production process to its knees.

4

Get the Support of a High-Level Executive



A strategic partnership succeeds when both sides feel that they have skin in the game. A partnership has a much greater chance to flourish with the support of a C-level executive. Customer communications are a vital aspect of the organization. When outsourced, this initiative needs the support of people high enough to establish and enforce policies and procedures, and act as arbitrator and tie-breaker when multiple lines of business weigh in.

- Typically, **the relationship must be sponsored by an influential champion to see the opportunities that a high-value partner can capture.** Grassroots projects rarely succeed and trying to establish a strategic partnership with mid-tier management puts everyone at a disadvantage.

5

Selecting the Low Bidder Isn't Always Best



- When you are outsourcing a vital aspect of your operation, especially one as important as customer communications, **shopping for the low-cost provider may have catastrophic results.**

In a recent London School of Economics white paper, they discovered that a cost-based RFP often leads to the “winner’s curse.”

- The research urges CEOs to avoid the winner’s curse, in which **cheap deals appear to favor the client initially but ultimately cost more in the long run due to problems further down the line.** While the supplier might provide lower costs, competencies such as adding value to processes or managing governance typically remain the responsibility of the client company.¹
- Here’s another thing to consider. If all you do is draw up **an RFP based on identifying the lowest-cost provider, you miss out on the innovative thinking of the highest-value provider.**

The amount of time and energy spent creating or responding to RFP’s, RFI’s RFQ’s, Tender, etc., is an important and sometimes required contracting process. All too often, less time is spent understanding the business strategy and creating a collaborative environment to develop a 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.

¹ Leslie Wilcocks, Professor of Technology, Work and Globalisation, The London School of Economics and Political Science.

6

Create and Measure Regularly to Assess Success



After the goals are set, people track the top-line milestones such as deadlines met and unit costs, while the hard work of collecting and analyzing the actual data goes wanting.

That’s a recipe for failure and a missed opportunity. **The right metrics and regular reporting build confidence and trust and help sustain the relationship.**

For example, in a strategic customer communications outsourcing relationship, the focus needs to be on the business outcome of the communications. Are we reducing calls to the Call Center? Are we increasing responses? Are we meeting cost reduction benchmarks?

Without the facts to guide future decisions, refinements and improvements are impossible. Even worse is when a relationship is based on a bad metric. 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 you as much as \$15 – \$25 (even if you outsource the Call Center!).

7

Build a True Partnership



This essentially comes down to people and personalities, i.e. good fit equals good service. **This is more than just technology and capabilities. It’s about chemistry. It’s about 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. But when the seas get rough only **those relationships that are true partnerships built on trust, confidence and shared mutual interests will be able to achieve their goals.**

When choosing a vendor to partner with, imagine that you’re assembling a rowing team.

- You need to chart the course very carefully.
- You need everyone on the team to share the vision and understand the strategy.
- You want everyone with their oars in the water at the same time, pulling in the same direction.
- You want balanced strengths and shared responsibility, so you don’t end up going in circles.

It’s a long race and you’re going to be in that boat for a while, so you’d better like the people that are in the boat with you.

Genworth Financial, Inc.



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

To most senior executives document processing seems like a simple process to outsource in order to gain cost savings and improved capabilities. Mammen Verghis, Senior Vice President for Marketing and Product Management at Genworth Financial, has led multiple outsourcing projects for Genworth, including “Project Impression” which resulted in the outsourcing of the vast majority of Genworth’s customer communications to Xerox.

“The biggest lesson the Genworth leadership team learned from Project Impression was that our customer communications processes were very complex manufacturing processes, poorly documented and containing countless variables with numerous exception processes. Execution was dependent upon people versus process discipline. **Applying a Six Sigma DMAIC approach was instrumental in the success of Project Impression,**” Verghis concluded.

WellChoice, Inc.



WellChoice selected Xerox Global Services to create, print and distribute more than 3.5 million customized explanation of benefit (EOB) documents and an additional 10,000 customized post-enrollment kits to members each month. A combination of Xerox and third-party services, software and hardware allows WellChoice service representatives to view EOB information online simultaneously for more timely and accurate responses to questions regarding coverage and benefits.

To reduce document-related expenses, Xerox is also transitioning some of WellChoice’s traditional, paper-based business processes into more efficient, digitally-based transactions.

- “The decision to continue working with Xerox was based on its **commitment to our vision of outstanding member communications and the delivery of cost-effective solutions,**” said Gloria McCarthy, WellChoice Executive Vice President and Chief Operating Officer. “They
- know what is important to us, and they find the **solutions, services, people and equipment to match our needs and expectations.**”

About the Author

Bryan Baker brings 17 years of outsourcing and production experience to his role as enterprise consultant for Xerox Global Services. Leveraging his expertise in the financial services and insurance industries, Baker and his team currently provide C-level and line of business executives with transactional print, mail operations and document composition solutions across a wide range of vertical markets.

For more on Bryan Baker, click on the link to the right.



Bryan Baker

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Xerox Global Services delivers measurable results for companies in industries from aerospace and the financial services to healthcare, government and retail by looking at business challenges in a whole new way. Our more than 15,000 consultants and service delivery experts specialize in managing office assets and output, reengineering document-driven processes and optimizing print production environments.

We employ Smarter Document ManagementSM technologies to add intelligence and structure to both paper and digital documents and activate the content they contain. And we combine our extensive industry expertise with tools like Lean Six Sigma to create a powerful portfolio of services that adds real value to enterprises worldwide.

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