FROST & SULLIVAN

50 Years of Growth, Innovation and Leadership

Virtualising the Workplace:

Cut Costs, Improve Customer Satisfaction and Achieve Flexibility
through Homeshoring

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INTRODUCTION

The spectrum of human history is characterised by brief periods of relative stability, punctuated by those technological innovations significant enough to bring about widespread disruption, change, and social progress. The light bulb, internal combustion engine, and integrated circuit could all be classified in this category. In more recent times, that revolutionary innovation has been the Internet.

The Internet has forever altered the way people socialise, learn, live, and work. It has also significantly changed how companies interact with their customers. The four Ps of marketing (product, price, promotion, and place) have been joined by a fifth P—pace—as customers demand immediate gratification. Retail outlets have taken advantage of customer analytics and Internet storefronts to ensure their customers have what they want and, more importantly, when they want it.

The contact centre, by contrast, has been somewhat slower to embrace the innovations of the Internet age. Any changes fundamental to customer experience are treated with great caution. This caution has led to much of the voice function being returned onshore to home countries, reversing recent trends in contact centre offshoring.

Whilst consumer demand has driven voice back to home shores, the driver that sent it out— cost efficiency—has not gone away. On the contrary, in the current economic environment, cost concerns are as great as ever, and customer experience directors are facing an unpleasant choice between cutting costs and maintaining top-rate customer service.

In the context of this dilemma, with broadband firmly in our homes and technology racing ahead, an alternative option has been gaining steam and revolutionising the contact centre. Today's ability to virtualise the workplace has brought homeshoring—using self-employed, work-at-home agents as an alternative to outsourcing or offshoring—to the fore.

This business briefing aims to shed light on homeshoring, offer a view of the benefits that have given it a strong presence over the past decade, and investigate the present environment that has contributed to the rapid growth of homeshoring as an alternative for many global brands. It will also look at the challenges inherent in a homeshoring model and investigate some of the approaches modern providers have taken to meet those challenges.

THE EMERGENCE OF HOMESHORING

Although using work-at-home workers has been an accepted alternative for some time, its recent arrival in mainstream strategy has resulted in some confusion in the marketplace about the difference between homeshoring and its commonly confused cousin, homeworking. A clear definition would be:

Figure: 1	
Industry Term	**Definition**
Homeworking	Homeworking refers to the concept of taking work that is traditionally done in an office setting and transferring it to work done by home-based workers.
Homeshoring/ Homesourcing	Homeshoring and Homesourcing are synonymous, and are specific instances of Homeworking. The terms refer to the process of outsourcing a function to a third party that uses home-based workers, which can include people, process and technology.

Before we investigate homeshoring directly, let us first look at the challenges within a traditional contact centre that have driven companies to seek other solutions. As the contact centre industry is in the maturity stage, it has become very consistent in its service offering and procedures. Nevertheless, there are some structural issues that will constantly remain challenges for the brick-and-mortar contact centre. The following table presents an overview of those challenges with their description:

Figure: 2

Challenge	Description
Employee Skill Level	Due to the age range of typical European contact centre employees (18-23) it can be difficult to source industry-experienced or otherwise highly skilled agents.
Employee Motivation and Retention	Employee motivation is a constant issue for contact centre managers. Additionally, replacement costs are expensive in a high-turnover contact centre environment.
Planning and Flexibility	Though contact centre managers will plan for seasonal, promotional, and time-of-day adjustments in demand, actual demand will always deviate from planned demand. This, along with unpredictable events like weather-related disasters, can quickly leave a call centre understaffed or overstaffed, without an ability to quickly and efficiently adjust. This can be exacerbated by a mismatch in staff shift lengths (typically four to eight hours) vs. one to two hour spikes in call volume for morning and evening peaks.
Language Issues	Particularly among outsourced call centres, the native language speaking ability or accent of the agent may be a barrier to communication with the customer.
Cultural Issues	Again, particularly in outsourced call centres, there may be cultural differences between the agents and customers that represent a barrier to understanding, first-call resolution and/or excellent service.
Tied to Physical Location	Contact centres typically must be staffed within a reasonable distance of the physical contact centre itself. This poses limitations on the recruitment pool in terms of employee skill set and language.
Real Estate Management	Brick-and-mortar contact centres must expand and contract headcount to meet customer demand, and current real estate may not always accommodate headcount requirements. Even when properly utilised, contact centre real estate adds to a company's fixed costs.

In addition to the challenges described, in past years, companies in a number of industries have taken several steps toward adjusting to the economic climate: delaying projects, cutting employees, saving on travel cost, and now even the most resistive customer experience directors are beginning to look at evaluating outsourcing as a cost-saving alternative. However, forward-thinking executives, hesitant to move to an outsourcing solution for fear of sacrificing quality, have seen homeshoring as an alternative that cuts costs while paradoxically improving performance against KPIs.

As we look at cost savings with a homeshoring model, it is important to differentiate between two existing models of its implementation. Some third-party homeshoring providers hire employed agents, and others require self-employed agents to contract with them. A benefit comparison of both models is shown below:

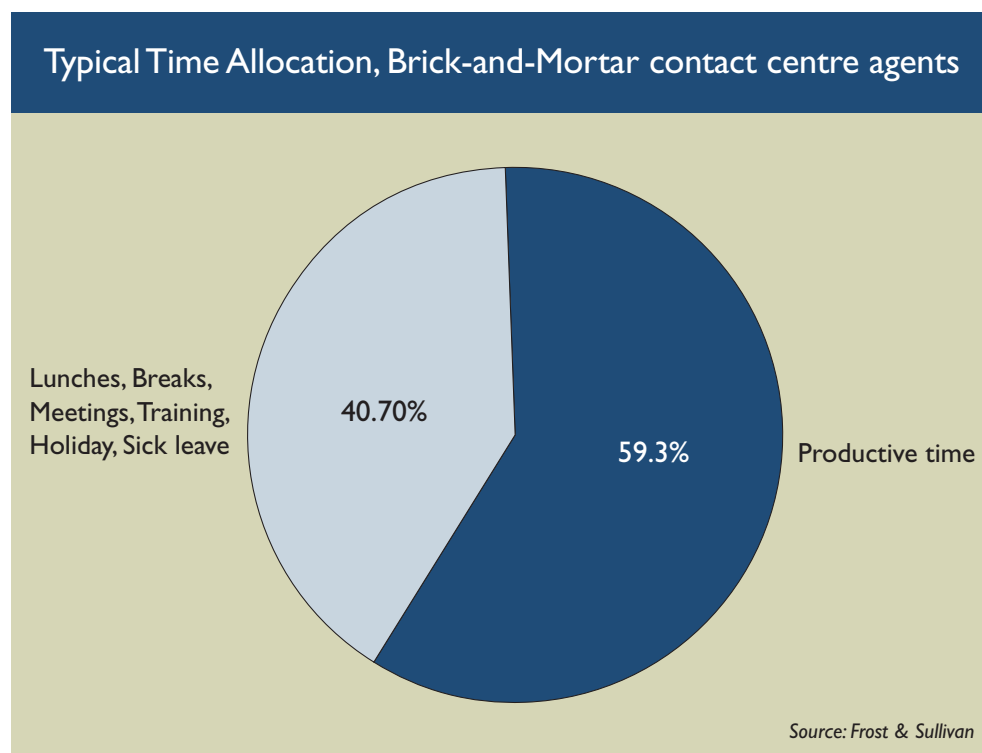**Figure: 3 Benefits Comparison: Employee and Self-Employed Agent Homeshoring Models**

Benefit	Employee Model	Self-Employed Agent Model
Employee Skill Level	✓	✓
Language and Cultural Issues	✓	✓
Green Benefits	✓	✓
Savings on Real Estate Costs	✓	✓
Savings on Desktop Equipment and Tech Support		✓
Pay Only for Productive Time		✓
Employee Motivation		✓
HR Overhead Savings		✓
Flexibility		✓

While both models offer a host of benefits, the self-employed model has the added cost benefit of shifting the cost of technical infrastructure (essentially the desktop computer, desktop software, and desk phone) to its agents. Additionally, not only are self-employed agents only paid for work completed, but they have made an investment in themselves and in the model that ensures they will work diligently to earn a return on that investment—they want the phone to ring. Finally, the self-employed model brings about a greater degree of flexibility, as a high percentage of agents are part-time (working about 15–20 hours a week on average) and can be brought on quickly to adapt to changing customer demand. It is much easier and more cost-effective to get 50 part-time workers to each do five more hours in a week than to ask full-time workers to flex to add 250 more productive hours.

REDEFINING THE CONTACT CENTRE AGENT

One of the main benefits of homeshoring is the ability to source from a pool of otherwise inaccessible agents beyond the geographical bounds of a brick-and-mortar centre.

Many educated and experienced individuals now want to take more control of their work-life balance and are looking to choose during which hours and with whom they work. As a result, as many as 80 percent of homeshored agents are degree or college educated. The profile of agents is diverse: semi-pensioners looking for additional income because of the recession, and parents looking for flexibility are embracing this model. The average age of a homeshored agent is likely to be older than 40, compared to 23 in a brick-and-mortar environment. Agent demographics also carry implications for turnover. Recent Frost & Sullivan research suggests that the agent turnover rates for work-at-home agents are as low as 10 percent per year, against a staggering 30-50 percent for brick-and-mortar agents.

Typical Time Allocation, Brick-and-Mortar contact centre agents

Lunches, Breaks, Meetings, Training, Holiday, Sick leave

40.70%

59.3%

Productive time

Source: Frost & Sullivan

Additionally, homeshore models based on self-employment allow companies to save on agent idle time. In Frost & Sullivan's experience, non-productive time can make up as much as 40 percent of the total time for a typical contact centre agent. Homeshored agents are only paid for calls processed, work completed, and the quality of their service. As they own their own businesses, they are highly motivated and keen to deliver a first-call resolution for the customer.

Finally, homeshoring provides an opportunity to match specifically targeted agents to a client's needs. Because employment is not restricted to the catchment area of a brick-and-mortar contact centre, a deeper and wider talent pool can be accessed. This pool can then be screened for special skills relevant to the customer (e.g., professionals with technical experience on and interest in an iPhone, for customers needing help with that device). Professionals with a particular accent for serving a particular region's customers can be homesourced, as can professionals who share interests with their customers; for example, pet owners servicing pet product customers.

In Frost & Sullivan's opinion, the high level of education and life experience, the maximisation of productive time and the ability to target agents to specific client needs all lead to better customer experiences, and better ROI for the contact centre operations. This is why homeshored agents are on the rise.

THE HOMESHORING EXPERIENCE

Frost & Sullivan interviewed Nicola and Melissa, two homeshored agents who have been Arise Certified Professionals for three years. Nicola provides services for Arise International—the UK arm of Arise Virtual Solutions—a homeshoring provider. Melissa (pictured here) is part of Arise's homeshored QA team. We asked them to offer us their perspectives on the homeshoring experience. Here is what each had to say:

F&S: What was your career experience before Arise?

N: Before providing services for Arise, I had built a career in customer service, with over 20 years experience, primarily in Telecom. I left a corporate role to service with Arise. People said I had to be crazy, but I believed in the model and had to try.

F&S: Why did you decide to become an Arise Certified Professional?

N: I had seen the growth of the model in the USA and knew that the potential was there in the UK as well. Additionally, my daughter was 12 years old at the time I started, so there was a huge benefit for me to be homeworking. I can choose when I want to work. I can have extra time with my daughter when she gets home from school, and work on Saturday morning when I have more time.

F&S: Was it difficult to get started?

N: No. Arise works on a self-employed agent model, so I had to set up a limited company. To do so doesn't take very long, and it doesn't cost a lot. There is an up-front investment to get started and trained, but you have to view that as an investment in yourself.

**F&S:** Are there people this model isn't suited for?

M: Yes. The initial screening process filters out many candidates. Some find the work was more difficult than they expected, others can't handle the rigorous focus on KPIs and other metrics. Having an aptitude for customer service helps a lot.

F&S: What is the biggest challenge you've seen in this model?

N: It is a challenge to work remotely, but it is a surmountable challenge. As a Performance Facilitator ("virtual co-ordinator"), it's key to keep in constant communication with those agents assigned to me through the many support channels available. I reach out to them daily, keep a personal connection, and acknowledge their success—it's important these elements remain even in a virtual environment.
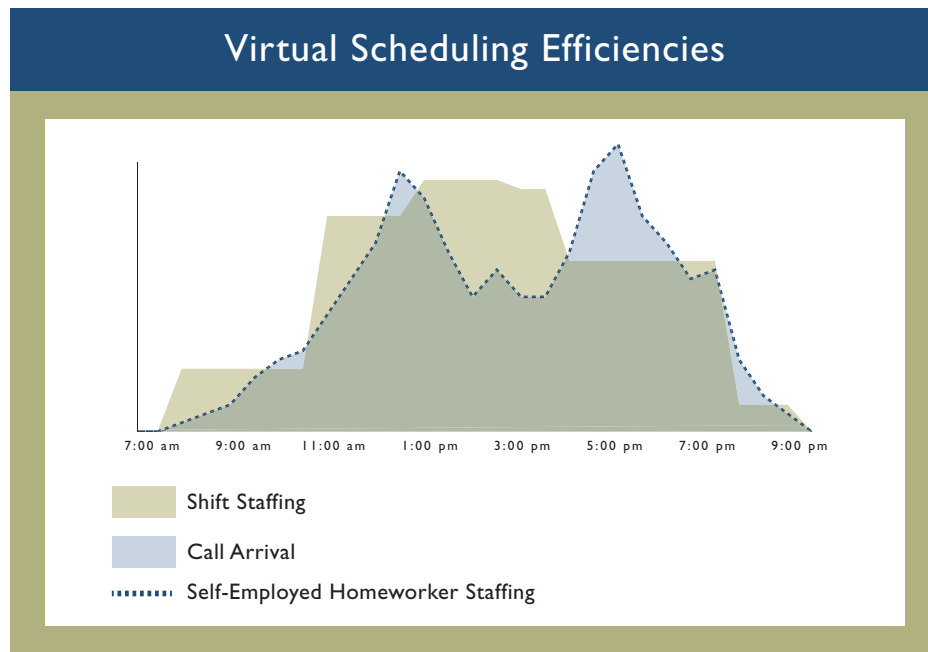
THE PLANNER'S DREAM

Contact centres are constantly faced with the problem of scheduling amidst unpredictable demand. Seasonal demand varies, and precise scheduling is critical to keep staff numbers in line with demand. Companies may additionally face periods when they need to rapidly upscale on a temporary basis for promotions or other short-term demand drivers.

Functional distribution, UK Contact Centres 2011

Source: Frost & Sullivan
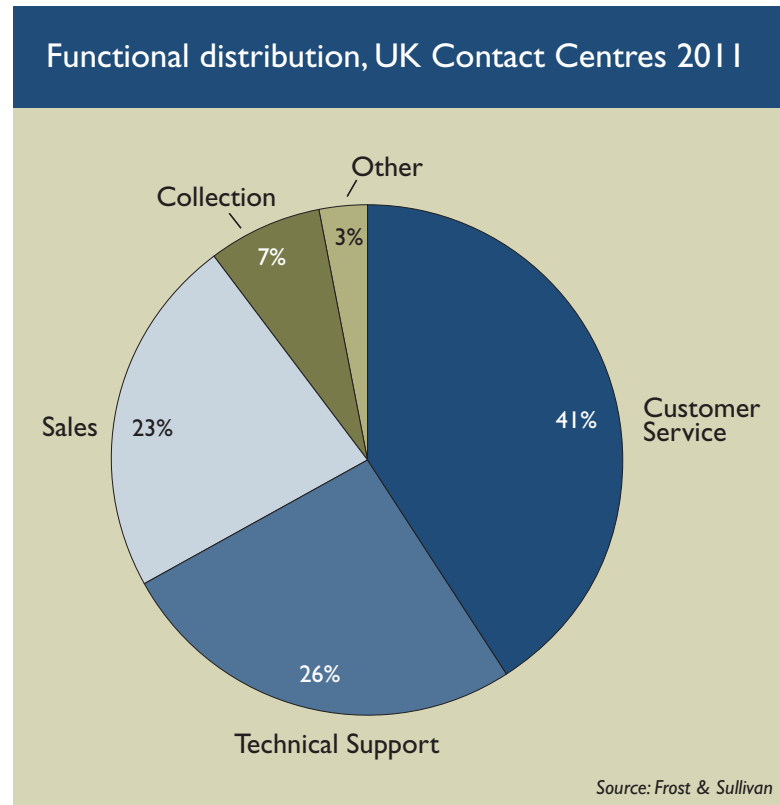
According to Frost & Sullivan's research, in the UK, two-thirds of all customer-facing contact centre activities relate to customer service and technical support. Within a daily span, these activities are characterised by rush and lull periods, over which the contact centre has little control.

While proper shift management is necessary to remain efficient, it is impossible to schedule employees to perfectly meet demand. Traditional contact centres are therefore met with the unpalatable choice between agent down time and unanswered calls. Whilst many contact centres may plan in 30 or even 15 minute intervals, they cannot flex resources within these intervals very easily. In contrast, a self-employed home-based agent can sign on for an hour's work in the morning and not work again until the evening peak. That flexibility is difficult to achieve in a traditional contact centre or an employed homeshoring model.

In addition, particularly when dealing with the customer service and technical support functions, unpredictable events can wreak havoc on contact centres. Natural disasters and weather events that keep employees at home can quickly render a contact centre useless, while an event as seemingly small as a website being down for a few minutes can trigger an unexpected call spike of customer enquiries, leaving contact centres unable to cope.

Virtual Scheduling Efficiencies

7:00 am 9:00 am 11:00 am 1:00 pm 3:00 pm 5:00 pm 7:00 pm 9:00 pm

Shift Staffing

Call Arrival

.... Self-Employed Homeworker Staffing

The homeshoring model alleviates these scheduling issues. Most homeshoring providers work with 30-minute scheduling blocks, so planned demand can be more precisely accounted for. Snowstorms that would cripple a traditional call centre leave work-at-home agents unaffected. Even severe events like power outages would only affect a small percentage of agents, as they are more widely distributed.

Homeshoring has been called "a planner's dream" for its ability to quickly and efficiently adapt staffing to clients' needs.

STAYING GREEN: THE GREEN MOVEMENT IS BOOMING, THE ECONOMY IS NOT

The green movement has shown it is more than a passing fad. Rising fuel prices, climate change, and cultural and political attention have kept green a central issue for consumers into the current decade. As a result, businesses are searching for initiatives to show that their green interests are aligned with those consumers.

In the context of the challenging economic environment at present, businesses are also finding that those initiatives must not come at an additional expense. With investment restricted to only the most mission-critical projects, green initiatives must be tied to cost savings in order to be viable.

The homeshoring model fits this constraint. Homeshoring brings green benefits by not only eliminating the need for workers to commute, but by cutting energy costs associated with call centres. It represents a way for businesses to pursue green benefits while at the same time staying competitive with an efficient and low-cost contact centre solution.

CHALLENGES OF HOMESHORING

Although homeshoring has not always been universally popular, modern providers have proven that the homeshore model works.

Frost & Sullivan has identified two main concerns that contact centre managers have with adopting a partial or full homeshoring solution, and will outline the ways in which today's homeshoring providers are meeting these challenges.

Quality Assurance

During the infancy of homeshoring, companies had been sceptical both in their ability to effectively manage home-based agents and the ability of those agents to meet the ever-rigorous KPI standards put forth in a call centre environment.

While these concerns are logically rooted, today's homeshoring providers have taken several steps to ensure quality. Technical advancements have enabled the same QA that is done in a brick-and-mortar contact centre to be offered virtually in a homeshoring model.

For one, software systems are put in place to monitor worker calls and screens. Screen monitoring is an important option as home-based workers will often be involved in work beyond simply taking calls.

Additionally, the sourcing processes at homeshore providers are intentionally made very rigorous to ensure quality. One leading provider states that only 10-12 percent of its applicants pass all the hiring stages to become homeshored agents. Professionals are screened on their career history and matched to customer service, voice clarity and accent, and given a background check as a standard part of several companies' hiring processes.

Combining the selective hiring process with a more educated, more experienced talent pool offers a recipe for quality.

As a result of a consistent quality offering, homeshoring has graduated from a fringe model used to offload basic tasks to a system used to handle some of the more complex and important work that can be done in a contact centre.
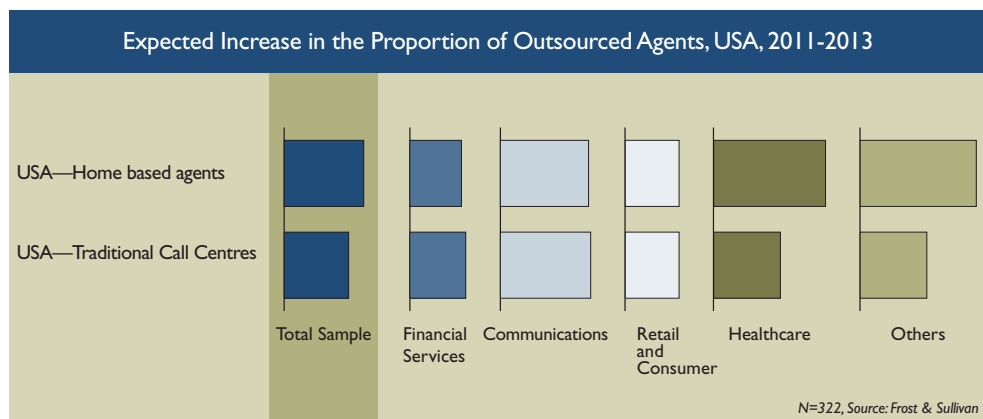
Security

A selective hiring process not only has implications for quality, but also for another major concern that executives may have with the homeshore model—security. Although all providers of work-at-home opportunities have taken technical steps to ensure security, the homeshore model offers key structural security benefits.

First, there is less incentive for work-at-home agents to commit petty fraud compared to their brick-and-mortar counterparts. A rigorous screening process makes it more difficult to become a homeshored agent—ensuring that candidates have invested time and energy by the time they begin serving clients. Furthermore, for companies utilising a self-employed work-at-home agent model, professionals have also invested in training and technology, making them protective of their hard-earned status. It is also true that there are few genuine providers of these self-employment opportunities, meaning that agents do not want to risk losing the opportunity once they have clinched it.

Finally, agents are typically older and more mature than their brick-and-mortar counterparts. These structural elements all contribute to less risk of fraud in the homeshore model.

However, these elements alone, although positive, will not satisfy the demanding executive in security requirements. Luckily for today's homeshoring providers, modern technology offers state-of-the-art systems to ensure security. Several homeshoring providers have systems and processes in place for PCI compliance. Additionally, VPN access means security measures can be exactly the same as they are for a client's brick-and-mortar systems. Some providers have even developed hardware that can ensure agents' PCs are locked down during their working time with access only to those elements needed, with no ability to capture local data, screen scrape or print. These security measures have enabled financial institutions (which typically demand the highest security requirements) to now embrace the homeshore model.

Expected Increase in the Proportion of Outsourced Agents, USA, 2011-2013

USA—Home based agents

USA—Traditional Call Centres

Total Sample | Financial Services | Communications | Retail and Consumer | Healthcare | Others

N=322, Source: Frost & Sullivan

Perhaps the best testament to security technology in homeshoring comes from Frost & Sullivan's 2011 survey of contact centre decision-makers. This survey found that the most significant increase in work-at-home agents in the USA between 2011 and 2013 will take place in the healthcare vertical. The willingness of a security-sensitive industry like healthcare to adopt homeshoring shows that the security solutions implemented by today's providers are up to their most demanding customers' requirements. As European markets are now mirroring the growth seen in the U.S., European homeshoring providers have a head start when it comes to security, as the security innovations which enabled customer trust in the U.S. are already present in Europe. Security will be a key factor for businesses going forward; from the same survey, we know that it comes out right on top in terms of selection criteria from contact centre outsourcers: 85 percent of respondents answered that security was important or very important.

While no solution can be 100 percent effective at preventing fraud, the systems employed by today's homeshoring providers make them as effective, if not more so, than their brick-and-mortar-counterparts. This, combined with the strong remote workforce management, makes homeshoring a strong proposition in today's marketplace.

Employee Office Culture

There is a common HR/Marketing perceived challenge that employee and/or brand engagement can be somewhat diluted when agents are taken out of the physical environment of their employer. Whilst un-checked, this can absolutely be true, the advances in social media paired with rising participation in this space has created an alternative forum for employee engagement in a virtual environment. In the same way that Facebook has driven advocacy and content from its users, employers and vendors alike are creating social interactive hubs that build affinity to the brands and ethos they represent, which in turn drives agent engagement in a virtual community. It is becoming increasingly possible to deliver key corporate messages from 'balcony briefings' and allow 'watercooler / coffee' conversations in the virtual world.

THE LAST WORD

We have shown that homeshoring can generate many unique and substantial benefits to organisations. We have also shown that the homeshore model addresses many of the challenges faced by contact centres.

As companies face the cost challenges of an economic slump, the benefits of homeshoring are difficult to ignore. With homeshore models leading to savings of 30 percent over brick-and-mortar models while improving customer service quality levels, homeshoring has established itself as a compelling alternative to traditional call centres.

We have shown that call centre managers may have some reservations about the homeshoring model, but those concerns have been addressed by today's providers, and some of the world's leading brands are adopting a homeshoring solution.

These benefits taken together have led to the rise of homeshoring as a model in the United States. From the survey mentioned earlier in this paper, U.S. outsourced work-at-home agents are expected to grow more than the outsourced contact centre industry as a whole. An astonishing 41 percent of the respondents believed that their proportion of outsourced work-at-home agents would increase, whereas only 11 percent believed the proportion would decrease. Following in the footsteps of the U.S., the homeshoring model is quickly growing in Western Europe. Frost & Sullivan expects rapid growth to continue in this region.

Frost & Sullivan's last word is that in its emerging years, the homeshoring model was an interesting alternative to the traditional call centre, yet questions remained about its long-term viability. Today, it is clear that those questions have been answered. Today's homeshoring businesses have developed innovative models that ensure quality and allow companies to cut costs in their customer service models while trusting that their customers' needs will be met. We have seen examples delivering more than 30 percent cost reduction per agent position AND achieving leading quality and sales performance.

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