

INDUSTRY OPINION



Martin DeGhetto
Executive Vice President
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>> Martin F. DeGhetto is responsible for all contact center functions and employees for Connexions' commercial clients. He is a seasoned executive with extensive domestic and international experience in providing outsourced business services for global organizations and a track record of success in complex reengineering and acquisition initiatives. Most recently he was Senior Vice President, North American and European Operations for Convergys Corporation, where he led a team of 48,000 employees and was responsible for all call center operations in the U.S., Canada, and Europe, serving clients in all industry verticals. He is a former Vice President of American Express, where he built and led the organization's initial team of call center experts responsible for improving productivity, quality and costs related to 28 international call centers and 6,000 employees. Mr. DeGhetto was also formerly associated with AT&T Transtech as an Executive Director.



ACQUISITION AND RETENTION SERVICES

>>>>>>>>> *Remain Firmly Onshore*

Why are some outsourced services staying near-shore, and others still moving off? Martin DeGhetto, a 30+ year veteran of the contact services business sheds some light on the underlying drivers.

By: Martin DeGhetto, Executive Vice President, Commercial Division, Connexions

Grow. Retain. Serve. Those are the indicators through which Connexions drives its outsourcing business. And at least two of those, according to Executive Vice President Martin DeGhetto, cannot successfully be delivered from offshore. The “white glove” service generally accorded to client acquisition and retention is too culturally and linguistically sensitive, he contends. “If clients outsource these services at all,” says DeGhetto, “they tend to want to keep them right here, onshore.”

>> With so much of organizations' current focus on cash conservation and cost, outsourcing is experiencing a boost in interest, even from companies that previously would not have considered it. Every opportunity to save is under consideration. However, while Asia still offers compelling inducements to business, there is a limit to what can be moved offshore, says DeGhetto. Depending on the life cycle stage a client is at, certain types of services are simply too sensitive to risk offshoring.

That is why, despite the fact that offshore providers, from Asia to Latin America, are still able to offer discounts of between 10-30 percent, companies like Orlando-based Connexions, a technology based BPO firm operating exclusively in the US, are expanding their operations domestically -- in Concord, North Carolina; Orlando, Florida; and Jeffersonville, Indiana. In the past several weeks employee headcount has grown from 2,500 to 3,000 across all three locations.

By way of explanation, DeGhetto emphasizes what originally drives services offshore: reduced cost. “As long as a service is delivered at an adequate level of quality for a given cost, the value is good, and the risk of moving offshore is worth the savings.” This applies specifically to those services that are easily commoditized, he explains, whereby thousands of seats, albeit at lower margins,

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can be moved offshore in huge transactions. Customer service generally falls into this category.

“Large outsource providers focus on these large-scale deals,” explains DeGhetto. “It is where their growth potential is, even though margins are lower. For large companies to continue to grow at the rate the market requires, they have to get these large deals.”

However, he contends, certain services do not lend themselves to this kind of commoditization -- for example, those relating to the acquisition and retention of new customers. This type of work comes in smaller chunks and is more difficult to do well from offshore. Most US based organizations - if they outsource this work at all - prefer it to be done where language and cultural issues are minimized, and where they can “touch and feel” the operation if need be. Understandable, given that these services lie at the very heart of their business.

You need to develop an entire culture, to do that kind of work well, explains DeGhetto. When this work has gone offshore in the past it has too often come back to US shores again, despite the cost advantage. Think Dell.

The premise of the argument pro-onshore is this: For a given set of customers -- the high-value ones -- a special type of service experience is necessary at certain parts of the life cycle, “say the first 30-60-90 days,” says DeGhetto. These high value customers are generally the newest ones, or those that are dissatisfied. Put differently: Customers need a high-touch service when they are being acquired; when they are brand new; and when they are considering leaving. Because of the importance of cultural understanding and language in these high-touch areas of interaction, there is a propensity to keep these services onshore. “Government and some aspects of healthcare service also fall into this category,” DeGhetto adds.

It all boils down to risk. “I’m not saying it can never be done well,” says DeGhetto. “But you need to consider: How much risk would you put onto your highest revenue-generating or high-margin customers?”

Deals in this area are generally smaller in size, DeGhetto concedes, and require the provider building up a completely separate culture, set of management practices, tools, and recruitment and training techniques. Everything is geared towards sales, not cost. It’s a white glove service. **SSN**

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