What Is The Real Cost Of Outsourcing Your Technical Support And Information Technology Services Overseas?

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It appears that we will not be saying goodbye to foreign outsourcing of technical support and information technology services in the near future. So many companies have bought into the idea that sending their technical positions overseas is a lower cost, higher quality solution than hiring American workers to do the job. On paper, these off-shore outsourcing solutions always look great. The executive who comes up with the solution is always confident that the move to a foreign country will decrease costs.

Many American companies have learned, sometimes with disastrous consequences, that the grass is not always greener on the other side of the planet. Yet, so many companies continue to send more and more jobs overseas and many of the ones who have had massive problems with their outsourced support still will not bring that work back to the United States for fear that the costs will be too high.

These beliefs are based on a false premise. That premise is that it is cheaper to pay foreign workers to do the job. That is simply not the case and we will discuss that issue in great detail here.

So, how did we get to the point where we find ourselves now? In the 1990s, American based companies started outsourcing their technical support to other companies. It made a lot of sense… you could get your technical support needs fulfilled and not have to have those people as direct employees and take responsibility for the other costs that go along with having direct employees. When this trend started, most of the third party companies that were being used were located in North America.

At that time, the most popular payment model being used was the Cost Per Call model, which simply means that companies paid a certain dollar amount per customer support call that was handled. This opened up the door for companies to start shopping around for lower prices per call and they found those cheaper prices overseas.

Let's look at a scenario that displays clearly what happened. An executive with a major corporation starts reviewing the customer support costs for their product and sees that the company is fielding 1.1 million calls per month at $8 per call, which is $8.8 million per month in support costs. That executive decides to shop around for a better price and sees that a company in India will do the job for $6 per call, reducing the monthly costs to $6.6 million. So, the executive writes up a proposal and shows the CEO of the company that they can save over $25 million per year by sending the work overseas. The CEO is ecstatic and tells the junior executive to move forward with the plan and throws the young executive a nice fat bonus check for saving so much money.

Six months later, the CEO starts reviewing the customer support costs, expecting to see that costs have gone down. The CEO is shocked to see that not only have costs not gone down, they have actually increased. So, the CEO brings the young executive in for an explanation and hears that this is just the usual growing pains of opening a new call center. The CEO decides to give it another six months and when that six months is up and the costs have not gone down, the CEO calls for the young executive again, only to find that the executive quit and moved on to another company.

What went wrong? Why did the cost of customer support go up instead of down? The reason for this is fairly simple. There were other cost factors involved that the executive either never thought of or chose to ignore in order to make it look like this plan would work.

Yes, \$6 per call overseas is certainly cheaper than \$8 per call in the Unites States. But, this plan completely ignored something called Solved On First Contact (SOFC), which is the most important Quality Assurance metric for any company that pays for technical support on a Cost Per Call basis. SOFC is a measure of what percentage of your customers have their issue resolved on the first call.

Upon further investigation, the CEO of our imaginary company discovers that the American technical support company was operating at 90% SOFC. That means that their 1.1 million calls consisted of 900,000 customers who called in one time and 100,000 customers who had to call a second time to get their issue resolved. The Indian support firm was operating at only 60% SOFC, which means that the 1.1 million calls turned into 1.4 million calls. At \$6 per call the actual cost was \$8.4 million, which is very close to the American company's cost.

Additionally, our imaginary company had to deal with not only the setup costs of opening a new center and the training costs of new agents, but the telecommunication costs of sending all of their calls overseas. Yet, one would still expect that, as a center moved along, SOFC would get better. But, it can't get better if the turnover rate of the representatives is high and anybody who deals with an overseas company knows that you wind up training half of the staff over and over again every three months. So, the training costs stay high and SOFC never gets better.

The final agonizing piece of the puzzle involves the fact that customer satisfaction has gone down so much that our mystery company is losing more customers each month than they are gaining. So, not only is the technical support cost higher, the company is losing business. While all of this happening, our young executive is busy earning another huge bonus in some other company, implementing the same exact plan.

How is it possible then that, with results like this, companies can continue to buy into the idea that using foreign technical support is better than using home-based workers? The answer lies within those nice and huge bonuses that the executives continue to get. These executives have fostered a lie that overseas workers are cheaper and better qualified than American workers. They will continue to do so for as long as it is profitable for them to do so. In fact, they have even sunk their claws into the internal IT departments of their companies, as more and more corporations send support for their U.S. employees to India or Malaysia or hire in foreign workers on H1B Visas to do the job.

Their actions when dealing with these internal jobs are the most nefarious of all. By creating job requirements that no human being could possibly fulfill, companies get to say that they cannot find qualified workers here and need an H1B Visa to bring in a more qualified and cheaper worker. Just try applying for a programming job nowadays and take a look at how many programming languages you are expected to be an expert in, it's ridiculous. Give me a lifetime and maybe I can be proficient in 5 programming languages, but to list out 50 languages and state that you need to have experience in all of them is insane.

What's the solution? Well, company executives need to change the system and change the culture of Corporate America. If you create a loophole for people to use to garner bonuses for themselves and then leave your company to go do it somewhere else, you will continue to fall victim to these scams. Companies need to stand up and realize that they should not succumb to the lure of the short term gain on paper. If they stay with American workers or bring the jobs back to America, they may incur upfront costs, but will indeed save money in the long run and keep their customers.

Critics of my viewpoint might say that it is biased or wrong. Well, it is biased, because I happen to believe that American workers are the best workers on the planet. We have the best and most motivated people from every corner of the globe living within our borders and those people should be given the chance to once again do the jobs for which they are the most qualified to do. Those who wish to continue to promote this system would say that there are facts to which I am not privy that show that it's better to go overseas. I have yet, in all of my years in this industry, to see such facts produced before me. In fact, all of the data I have seen points in the opposite direction.

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