

Consolidate or Rationalise - What's the Difference and What are the Cycles?



Consolidation and rationalisation are hot topics given current economic conditions. They may look like the same thing, but the devil's in the detail. If we look closely, we see they are in fact very different. Rationalisation is about cutting the number of contact centres while still providing as good a service using fewer centres. Consolidation, on the other hand, is about reducing the physical footprint of contact centres and bringing centres together under one roof – either physically or virtually. And regardless of which strategy you follow, the real challenge is how to maintain service levels and drive efficiency, while at the same time delivering real value to the business.

Merchants' Solutions Director Paul Scott says that companies oscillate between the two options: either they want to bring contact centres closer to their customers, as in the branches of a bank, or they have all services delivered centrally from one place. The choice often depends on technological infrastructure and cost.

Consolidation and rationalisation feature in the top list of trends in Dimension Data's Global Benchmarking Report 2011. Organisations listed major strategic trends as:

- Encouraging customers to use self-service channels
- Customer lifetime value (CLTV) management
- Process optimisation or automation
- Regulation and legislation

The decision to rationalise or consolidate is not a tactical one. Companies are being pressed to find strategic ways of cutting costs without affecting service. It's often a lot easier to manage services and operations under one roof, or to manage fewer than before. Scott adds,

“in difficult economic times, either choice can offer real benefits to organisations and may even drive increases in efficiency and revenue.”

In making the decision, companies need to focus on three main areas:

- Customer strategy
- People
- Technology.

Scott says,

“when considering your customer strategy, you need to ask yourself what you're trying to do - question whether you have a sales or service culture, whether you want to reduce customers and increase revenue or drive an expansionist policy.”

With nearly 70% of the cost to contact centres being people, you need to be sure you can get the people you need remotely or in one location. Scott says,

“in the 90s, some contact centres were located in regions with limited availability of skilled staff, resulting in overinflated wage costs. This in turn drove centres offshore and companies began to consolidate them into only one or two different locations. Companies have to make sure they have the right people and get them trained quickly to be economically viable.”

Technology is becoming an enabler for companies wanting to move their customer service agents easily. Organisations that have invested in IP infrastructure (voice and data) can do this at low cost -an extremely attractive option. Scott says,

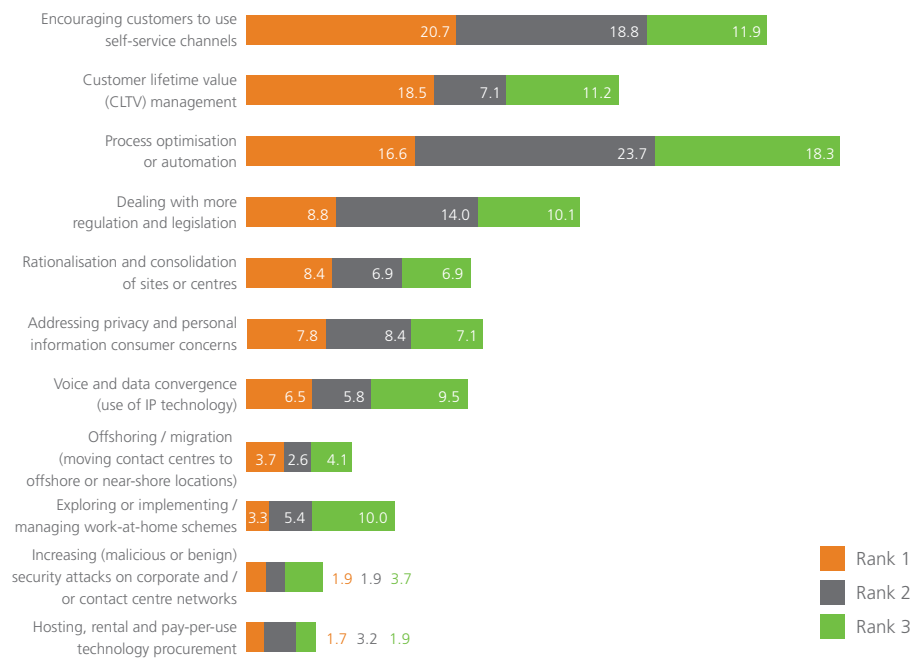
“you need to check whether you have the infrastructure in place to easily move between centralised and decentralised service delivery.”

If a company was looking to adopt a rationalisation strategy for example, it might want to scale back two-thirds of the contact centre. Says Scott:

“The beauty of the IP platform is its ability to create a virtual contact centre that appears to be in one location, but have its people placed elsewhere in the organisation.”



Which of the following market trends are the top three affecting your contact centre? Percentage of contact centres | n = 186



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Scott explains,

“switching from decentralised to centralised models can be done quickly. With IP-based infrastructures, organisations can position their contact centres in locations across the world. And with travel, communications and security no longer being major issues, companies can break down the walls of contact centres and have flexibility beyond the confines of the physical location of a centre.”

And there are even more benefits to going the flexible route. Scott says,

“in the devolved model for example, customer service is at the edge, as in bank branches. What is interesting is how the financial services industry is using branches as a key differentiating factor in their customer experience to stay competitive.”

The devil's in the detail

Taking the decision to consolidate and rationalise means careful planning. Scott says

“to ensure success, look at employing an experienced company with a proven track record and / or creating a specialist team.”

In this way you will ensure you have everything you need:

- A sound business plan
- A well-developed transition plan
- Effective management of the entire project from start to finish.

Companies that are agile and able to respond quickly to economic factors are those that will ultimately lead the way. When you are flexible and responsive to your customers’ needs, the benefits are endless. The secret lies in your customer services strategy – keep your customer in clear focus and always base decisions on what works best for them and for you.

The beauty of the IP platform is its ability to create a **virtual contact centre** that appears to be in one location, but have its people placed elsewhere in the organisation.

About the Author:

Paul Scott is Merchants’ Solutions Director, based in the UK. He has worked successfully in numerous roles with clients in the call centre industry for more than a decade. He believes passionately that for organisations to optimise their contact centres, managers must first understand what it feels like to stand in the customer’s shoes and experience the service or product they are seeking to deliver.

Scott has worked for Merchants twice in his career, first in the mid 90s leading the development of the consulting practice. More recently he has been working with global clients to focus on developing customer service strategies, contact centre joint ventures and offshore business process outsourcing facilities.

Paul has published papers on a number of topics and appears regularly on business TV channels to comment on changes in the industry. He is a regular speaker at conferences on customer services, marketing and CRM.

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