Editorial

Spreading the word

Outsourcing offers economies and quality advantages made possible through the expertise and scale of the outsource provider. Not surprisingly, many financial services firms wish to extend these outsourcing advantages across Europe through a single contractual agreement. Yet legislative and cultural differences have raised obstacles to this desire to coherently outsource. This Editorial assesses the key considerations for businesses contemplating a pan-European outsourcing strategy.

The introduction of the Euro in January 2002 signified another milestone in the integration of the European Union. Despite recent, much publicised, opposition the Euro and the development of a single market continue to intensify competitive pressures for businesses across Europe. Companies are driven to cut costs as they strive for more efficient operating models and fierce competition has resulted in unprecedented service standard benchmarks being set in the fight for customer share.

As the idea of a 'borderless' European marketplace grows in credence, so companies are looking to relocate and restructure operations across territories in order to achieve further economies. A natural progression of this expansion is a desire to extend existing outsourcing contracts in order that one supplier might fulfil the business process(es) across a number of territories. Any company that can achieve this business process integration — moving towards what has been termed the 'single European business' model — will surely gain competitive advantage over slower rivals in today's

supposedly open, boundary-less European business landscape.

Yet businesses wishing to unify their approach to outsourcing, thus extending the advantages across Europe, still face some sizeable barriers.

If the function fits

It is vital that businesses assess core functions to establish which would be best suited to an outsourced centralised service centre (or centres). Key to any decision is the visibility and perceived immediacy of the function concerned — i.e. how aware are customers or prospects of the function being processed and how quickly must the function be processed in order to meet customer expectations.

For example, where advertisement response handling is concerned, the customer will not particularly care how or where the query is processed just as long as a response is received in a timely fashion. Thus, if outsourcing this function to a central site, call centre agents could trigger tailored responses via automated document management processes, whilst also ensuring that those responses are archived for future communication management.

Claims processing, on the other hand, is often a complex and unpredictable process requiring local-level support. Well-handled claims processing has been identified as the key towards achieving customer retention in the insurance field. Local presence is a much-valued commodity where customers require reassurance and speedy resolution. Certainly, employees might call upon data

that is hosted centrally in order to deal with queries, but customers would quickly lose faith in organisations that were perceived to be physically remote and out of touch.

Applications processing (whether loan, insurance policy, credit card etc) is another function that could potentially be handled from a central site. This is effectively a 'blind' process — not one that is visible to the customer — therefore where it is handled has little significance on an emotional level. However, if this type of processing is centralised to provide Pan-European coverage, businesses must be secure that data-processing processes are robust and that sensitivities surrounding the transfer of data from location to location are understood and local laws adhered to.

The marketing mix

In terms of marketing communications, there is a very real pressure on financial service marketing teams to generate more sales revenue through selling additional products to existing customers — without recourse to extra resources. Any achievable cost-saving in the drive to prevent customer attrition must be seriously considered. For a growing number of firms, outsourcing of the customer communication process can provide exactly this cost-efficiency.

Certainly, the data extraction, data analysis and document formatting processes can now easily be handled from an outsourced central site (or sites), with document data sent digitally for printing at a local level if necessary. For businesses operating on a Pan-European scale, a single service centre handling document production *and* delivery may not make logistical sense. Location will govern whether documents are physically produced *and* despatched from a single service centre.

Single market, multiple hurdles

For any business planning to unify its outsourcing approach, choice of outsourcing solutions partner is critical. Only through robust planning and meticulous solutions integration can the hurdles facing cross-border co-ordination be overcome.

For example, despite legislation that serves to ease the movement of people, goods and funds across borders, each geography still acts as a separate tax jurisdiction. Clear up-front tax planning is critical to avoid unnecessary tax exposure or leakage.

There are also related legal considerations. Any outsourced solutions provider must offer comprehensive guidance on issues such as ownership of tangibles and intangibles, customer lists and good will. In addition, the solutions provider must be fully aware of the best way to comply with EU and local labour laws and strategic planning in this area can reveal associated opportunities and potential pitfalls.

The location of outsourced service and distribution centres also raises many questions. Firms may wish to use existing sites and expand upon the services offered, or might want to create separate, functional sites. Consideration must be given to local political and labour stability, and how this might affect business continuity. Also, links (geographical and electronic) to partners, customers and suppliers must be assessed. There is a real balance to be achieved between low-cost labour pools and the need for motivated, highly-educated workers.

Pan-European partnership

Many financial services firms have realised significant cost-efficiencies and competitive advantages through their relationships with outsourced solutions suppliers. Naturally,

there is a desire to extend these contracts further on a Pan-European scale.

Despite continued integration and progress, the single European market still presents companies with a myriad of obstacles to overcome before single-supplier outsourced solutions can be applied across Europe. Whether firms look for their solutions supplier to provide a single, outsourced service centre that supports a number of business processes across multiple territories or towards several managed sites throughout Europe, the legislative, legal and cultural issues must be thoroughly covered off.

There is a very real need for a partnership approach between financial service firm and outsourcing company in order to smooth the path towards centralisation. Certainly, an outsourcing supplier must be in position to advise on

local requirements and to suggest sensible compromises where appropriate. Certain business processes will lend themselves more readily to centralised handling than others. Firms must always put brand values to the fore and consider carefully how functions that are highly visible to customers are managed.

Ultimately, with planning and patience, the advantages of a single outsourcing supplier operating on a Pan-European scale can be realised. Customer retention is perhaps the single biggest concern for today's financial services firms. Any move towards outsourced centralisation must always be made with customer satisfaction in mind.

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