
Technical Support Outsourcing

A White Paper from
Goldstone Technologies Ltd.



www.goldstonetech.com



Contents

1. Executive Summary:	3
2. Technical Support Outsourcing:	3
Technical Support Outsourcing Trends	4
3. Benefits of Technical Support Outsourcing:	4
4. Successful Outsourcing Methodology	5
Executive Commitment and Internal buy-in	5
The role of the offshore partner	5
Selection of the offshore partner	5
Transitioning to the partner	6
Assessing the partner performance	6
Best Practices	6
5. Technical Support Services from Goldstone Technologies	7
6. Conclusion:	7
7. About Goldstone Technologies Limited:	8

1. Executive Summary:

This paper provides quick reference on various aspects and checkpoints on Technical Support Outsourcing engagement for software product companies – also known as Enterprise Software Vendors (ESVs) or Independent Software Vendors (ISVs). This paper also outlines the successful outsourcing approach of Goldstone Technologies (www.goldstonetech.com).

No other industry is probably as fiercely competitive as ESVs. As a result, the success ratio of software product companies has been historically less than 5% (Gartner report). On the positive side, probably no other industry has witnessed as rapid globalization and rapid growth as ESVs. It is reported that several successful software companies developed international operations within 4 years and joined elite 'Fortune 1000' within 10 years of inception. This unique combination of competition and opportunity makes the dynamics for EVS very different – forcing them to be constantly innovative and efficient every step of the way, for continued survival and success.

As a part of reducing costs and improve operational efficiencies, ESVs have been among the forerunners to try offshore outsourcing for functions such as Testing & QA, Software Development, Porting, Product maintenance and Bug-fixes. Encouraged by the results in their early efforts, they continue to expand the outsourcing initiative to areas such as Technical Support. As Technical Support function involves sensitive areas like customer contact, many ESVs historically viewed outsourcing with suspicion and contempt.

Late 90s brought significant change to the offshore outsourcing of Technical Support, for the following reasons:

1. Largely improved internet and telecom facilities in offshoring destinations, at prices that make economic sense
2. Willingness of the offshore workforce to work night shifts to match local timings in North America and Europe
3. Drastic cost reductions made possible by consolidating multiple support centers world-wide into one offshore support center that runs 24x7 – the resulting ability to sell additional support products, and new revenue streams
4. Tremendous success stories from the likes of Oracle, Microsoft and even mid-market players like Business Objects, Axway etc

In this scenario, for most ESVs, the most significant question is not why – but how to go about off-shoring their technical support function; and who is the right outsourcing partner. With rapid globalization, it is no longer viewed where a product/service is made/performed from – it is rather how good it is and at what cost. All market research companies like Gartner, IDC, Meta Group, Forrester Research and McKinsey point to the wide-spread adoption of offshoring. Those who adopt the outsourcing option with a suitable partner – who has the technical expertise & infrastructure to help reduce costs, achieve process efficiency & retain competitive edge - will emerge clear winners. A well-deliberated outsourcing plan with the right business partner would lead to overall success.

GOLDSTONE has earned a standing of repute as a dependable partner with clients worldwide and offers world class technical support services through a combination of the best people, infrastructure and processes.

2. Technical Support Outsourcing:

What with cut throat competition, ESVs recognize the importance of delivering effective and efficient customer support, to maintain customer satisfaction. Providing Technical Support is more about being efficient in servicing the customers; by having efficient people, process and technologies; being able to increase the percent of cases closed quickly, if not at first contact. Growth of ESVs depends on how they retain and expand their customer base and ensure customer satisfaction.

Key findings of the 2003 SSPA Industry Benchmark Study highlights a top cause for customer dissatisfaction and the resulting increase in support costs goes unchecked. When the length of time a case is open continues to increase, it results in higher resolution costs for escalated cases and slipping customer satisfaction. Support organizations that want to increase customer satisfaction and keep costs in check need to evaluate closure rates and bottlenecks. Technical Support Outsourcing has suddenly become an important strategic tool to ensure customer satisfaction while driving costs down.

2.1 Technical Support Outsourcing Trends

Gartner predicts that, by 2005 about half of all surviving ESVs will have major outsourcing initiative underway and the trend will accelerate then onwards, to offer greater functionality, better customer-support at far less cost while achieving profitability objectives.

Most ESV's, Meta Group predicts, will come to prefer classic tiered-support-organizational model with level1 support analysts handling most of the requests, supplemented with programs such as outsourcing, Customer Relationship Management (CRM) and self-help tools -- all in an effort to reach the goal of delivering effective and efficient customer support.

According to IDC, the market for technical support and help desk services has amounted to a \$13.3 billion in 2002 and is expected to reach \$28.4 Billion by 2006.

"Increased knowledge and utilization of esupport, and demand for dynamic feedback on support services, are some of the key trends shaping the technical support and help desk services market," says Leslie Rempel, senior analyst in IDC's Software Support and Integration Services research service.

2003 IT toolbox Outsourcing Survey results indicate that 37% among ESVs that currently outsource will adopt offshore technical support outsourcing.

Most prominent offshore destinations for technical support have been India, Philippines, China & Europe. According to the IT Analyst, India currently takes up lions share. - about 85 percent of the offshore IT outsourcing market.

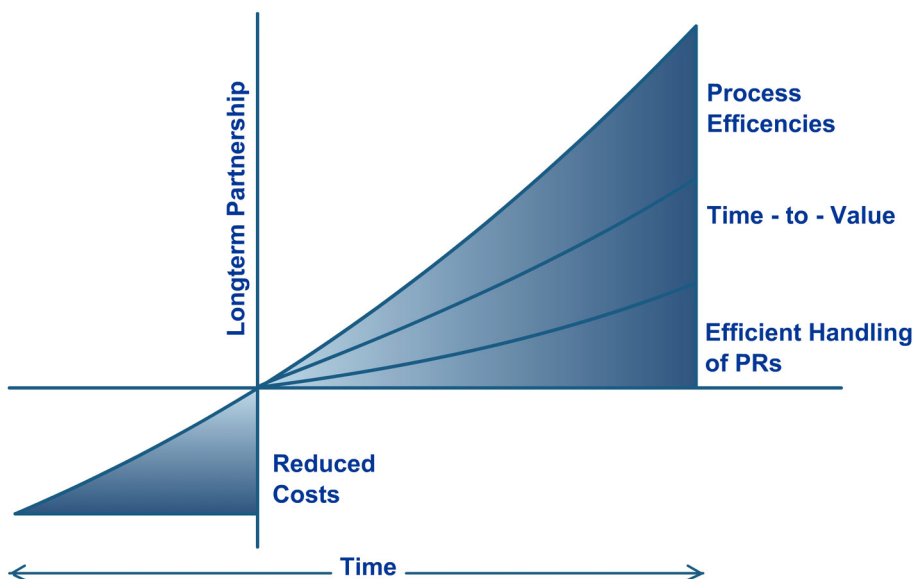
3. Benefits of Technical Support Outsourcing:

Outsourcing of Technical Support offers several benefits that are well documented, such as –

- Free core resources from operations and help them focus on core product and business value creation
- Respond faster to market opportunities
- Drastically lower costs and improve margins
- Flexible resource pool
- Defer or avoid big-ticket infrastructure creation expenses

Also, outsourcing addresses common concerns of retaining qualified support personnel. While in developed countries Technical Support profession is viewed as a temporary spring-board and witnesses high attrition, it is considered as a sought-after career-option in outsourcing destinations such as India.

Benefits of Long-term Outsourcing Partnership



The ultimate gains to an outsourcer are overall gains on corporate performance, profitability, and competitive advantages.

There is extensive proof that ESVs realize sustained competitive advantage when they have a focused and a long-term outsourcing strategy. Initially, smooth transitioning of handling the support requests can be the main focus from the outsourcing partner. The initial exercises also help the companies to test the relationship and assess the capabilities of the outsourcing partner.

At the second stage, the outsourcing partnership offers the next level of savings through improved 'time-to-value' by enhanced resource productivity. The learning curve effects are clearly visible and the cost advantages are more pronounced.

As the relationship matures further, both the companies can work cohesively to improve the processes. The outsourcing partner brings wealth of experience to suggest and implement best-practices for overall excellence for ESVs.

4. Successful Outsourcing Methodology

Executive Commitment and Internal buy-in

Outsourcing initiative, while most desirable for strategic objectives, can present some internal resistance and contempt for some ESVs. Good and persistent communication always helps to sell the concept internally, and also get the sponsorship from CEO and/or senior management. Studies indicate that executive backing is a critical success factor for outsourcing initiative.

The role of the offshore partner

Identifying the right partner who is capable, proven and progressive plays a vital role for successful outsourcing. The outsourcing initiative is only as good as the partner ESVs choose. A good offshore partner should be able to help ESVs develop a successful transition plan, with measurable milestones. It pays for ESVs to view outsourcing partnership as a long-term strategic asset that is a source of ongoing value to the company. ESVs and Vendors must learn to work like an integrated unit in the supply chain and not in the mode of traditional customer-supplier relationship.

Apart from the lower cost structures that a vendor would bring in, the right offshore partner must have provide -

- critical mass of resources
- solid management team
- quality and process certifications
- create additional value and move up on the partnership chain
- Cultural compatibility
- Technological capabilities
- Proven track record and reputation in Technical Support Services
- Willingness and the commitment to play long-term
- Scalable and state-of-the-art Infrastructure

Selection of the offshore partner

With so many vendors claiming their competence in Technical Support Services, it is often overwhelming to pick the right offshore partner. The fact is that most of them have no foot-prints in Technical Support Outsourcing. It is suggested that it helps to follow a structured process, as described below, to arrive at the right partner.

Learn -> Identify -> Seek Information-> Evaluate -> Check References -> Select Vendor -> Try pilot -> Scale-up

Learn: When considering a successful outsourcing initiative, it is very essential to initially understand the concept of outsourcing and industry trends. Also, set your strategic and tactical objectives upfront.

Identify: Identify offshore companies based on clientele, references, known-contacts, market-research firms, search engines etc and prepare a short-list of them – not exceeding 6 to 10.

Seek Information: Obtain detailed information on company, infrastructure, scalability, clientele, relevant experience, references, technical competence, global presence, multi-language capability, disaster recovery, IP protection practices, quality and process standards etc.

Evaluate: Critically evaluate telecom infrastructure, technical competence of the resources, HR policies, cultural fit, process compliance such as SCP etc.

Check references: Speak with management of offshoring companies, their employees, and obtain as much information as possible from their other clients – preferably visit their clients.

Select Vendor: This is the most important activity of outsourcing initiative. It is important to select the right partner from heap of several who claim they are good vendors. Make sure, you get the executive commitment from the offshore partner company - that goes long way in your success.

Try Pilot: It is always advisable to try small and then expand quickly. Pilot should help you assess your partner's competence in terms of telecom suitability, management commitment, technical competence, process adherence and SLA compliance.

Scale-up: This is the time for you to scale and reap the benefits of outsourcing to the fullest extent. Prepare the transition plan based on modules of the product, or geography of the customer base or simply number of resources.

Transitioning to the partner

A well thought-out and phase-wise transitioning to the partner is recipe for sure success. While there is a no one-way to do things right, your offshore partner should be able to help you come up with a structured transition plan, covering - training on your products, training on your support process and tools, mentoring and hand-holding the offshore team in pilot phase and later, and providing walk-through in handling difficult situations. Most ESVs find it useful to get their own processes mirrored with their offshore partner initially. Over a period of time, process improvements are brought-in with the knowledge of the partner and industry's best practices.

Assessing the partner performance

Even the right offshore partners require reasonable efforts from ESVs to monitor and manage the partnership. Performance metrics and reporting structure must be outlined upfront, and it is advisable to agree on the expectations at the start of the partnership. The following are some of the commonly tracked metrics in Technical Support Outsourcing:

- Number of support consultants - per shift/day/week or per region/language/product
- Number of cases per consultant (received/closed/work-in-progress)
- Total number of cases per hour/day/week/month/quarter
- Cases received on phone/voicemail/email/web
- Number of abandoned incoming calls
- Average time to close cases - in minutes/hours/days
- Cases in Bug-fix - waiting/resolved
- Cases escalated to 3rd line or 'Feature Request' - waiting/resolved
- Number of failed cases - reopen/solutions did not work
- Cases resulted in 'Production Outage'
- Compliance to SLAs - deviation measurement daily/weekly/monthly
- Customer satisfaction score - per consultant/product/region/shift/language
- Aging analysis of cases
- Telecom and Hardware report
- Weekly/monthly/quarterly statistics

Best Practices

Good start is only half the battle. Keeping the good partnership in great spirits and making it work needs implementing best practices. Most important of them being constant communication and setting clear expectations. Frequent visits to your offshore partner can help substantially. Encourage your offshore resources to visit your facilities on rotation basis – it helps foster strong bonds. Your partner should be able to advise you on time-tested best practices.

Many ESVs have found tremendous value in measuring the customer satisfaction ratings, most done through third-party firms. Extend your internal customer-satisfaction measuring system to your partner as well; if you have none, institute it immediately. Your partner should be able to help you get started on this.

There is no one right specific methodology that suits every ESV uniformly. It is not unreasonable to expect your outsourcing partner to be very flexible and adopt to your specific needs and transition pace.

5. Technical Support Services from Goldstone Technologies

Goldstone is a leading provider of offshore-based technical support services to several software companies such as Business Objects, Sun Microsystems, Axway, XOSoft etc. Goldstone offers Level 1, Level 2 and Level 3 services of Technical Support activity from its offshore facilities on 24x7 basis.

Being a pioneer in this field, Goldstone offers rich experience and world-class infrastructure to set up offshore Technical Support Centers for ESVs in quickest timeframe possible. Goldstone provides technical support to complex products based on varied Technologies, Languages, Operating Systems, Databases, Application Servers, Web Servers, Developer Tools etc. Goldstone is the only recognized offshore provider to offer multi-language capability in English, French, German, Spanish, Mandarin, Japanese and Korean.

Goldstone has three offshore facilities in India, dedicated for Technical Support Services, in addition to two other international disaster recovery sites. All facilities of Goldstone are connected by high-speed satellite links for data and voice. To facilitate carrier-class voice quality, Goldstone has installed both frame-relay and VoIP infrastructure to facilitate over 700 simultaneous voice calls. All the facilities are equipped with server-farms and security infrastructure.

Goldstone is probably the only company in India being assessed for SCP certification— signaling its commitment and long-term view for offshore Technical Support Services. SCP Certification provides credible, independent verification that a company's support infrastructure and processes are deployed to the highest standards.

6. Conclusion:

ESVs face fierce competition in each product segment. The only companies to emerge as winners will be the ones who provide improved features in the product and better customer satisfaction. Offshore outsourcing has evolved as perfect vehicle to achieve these objectives. As ESVs aim to sell global markets, they need to embrace global development and support options that help them cut costs and provide competitive advantage. Market research firm such as Gartner predict that, by 2004 about half of all software product companies will have major outsourcing initiative underway and the trend will accelerate then onwards. The global mantra is to produce goods where it is cheapest and software development and support has proved to be no exception.

While cost-cutting and easy ramp up/down aspects of outsourcing are fairly well-understood, some thought-leaders have reaped the full benefits of outsourcing – achieving process efficiency – as outsourcing vendors typically tend to specialize in their set of processes. Improved process maturity models by likes of CMM, ISO, SCP etc also help product companies ensure process transparency and setting expectations levels with their vendors.

Selecting right vendor, suitable transitioning methodology and implementing best practices are vital for your success in outsourcing. With right vendor, you will help your organization cut costs, and even come up newer support products to enhance revenue streams.

In the end, outsourcing is here to stay. Those who adopt the initiative in right manner will emerge clear winners. A well-deliberated outsourcing plan with the right business partner would lead to overall success. Selection of the right vendor is critical for the overall growth and market standing of a product entity.

7. About Goldstone Technologies Limited:

Goldstone Technologies is a part of the Goldstone Group, which is one of the well-diversified industrial groups in India. The group has three companies - offering IT Services, Business Process Outsourcing and Telecom. Founded in 1990, Goldstone Group's annual revenues are over US\$ 54 million.

Goldstone Technologies is a software solutions & services global supplier, operating through offices in the US, Europe, Japan and India. Goldstone Technologies is focused on outsourcing services for software product companies (testing, development, maintenance, technical support and professional services) and Forte migration services for large companies.

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