

### Introduction: reasons to outsource

The main reason companies outsource telemarketing operations is that setting up a large-scale telemarketing call center is expensive and complicated. First you'll need to make a large capital investment in phone lines, furniture, floor space, computers, and software. In addition, you'll need to hire and train TSRs and management staff.

Other factors can contribute to the decision to outsource:

- **Significant growth** – Rapid growth can quickly overwhelm in-house telemarketing staff, but providers can quickly add reps if you need to increase volume. Seasonal businesses benefit by adding reps only during busy times of the year.
- **New sales channels** – Companies just getting into telemarketing can tap the expertise dedicated telemarketing firms can provide in creating lists, designing scripts, running tests, and managing campaigns.
- **Testing** – Today's technology makes it easy to measure the success of new telemarketing programs. When testing new sales programs or products, large companies may find it easier and cheaper to use a call center than to retrain in-house employees. Small companies may also find it easier to do so than to build a call center and hire staff.
- **Specialty services** – Companies that do business around the globe may want to switch to a 2- or 3-shift operation or operate in multiple languages. Using a telemarketing provider can smooth those transitions.

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### Pricing guidelines

Actual costs for telemarketing services will vary tremendously depending on the type of project, skill level of agents, and technologies needed. Here are some very rough estimates – we'll go into more detail in **Pricing telemarketing services** on page 5.

Cost structure	Estimated cost
On-site firm agents	\$25 to \$60 per hour
Offshore discount agents	\$10 to \$15 per hour
Commission-based agents	1% to 10% of sales made

## Preparing your telemarketing search

Telemarketing service providers come in different sizes, use different methods and technologies, and have different specialties. Before you even start to talk to providers, sit down and determine what exactly your requirements are – then find providers who match your needs.



The first consideration is your goals for the telemarketing campaign. Determine what you'll need the provider to do and what metrics you will use to measure success. You'll want to choose a firm with experience in your industry and in similar campaigns, and you may need their help creating scripts or providing reports.

Next, forecast your expected volume. Base your estimates firmly in reality – because of monthly minimums and maximums that will be in your contract, under- or overestimating for negotiating purposes is not a good tactic. Make sure you have numbers that reflect any ramp or spike in calls you expect to be made for your telemarketing campaigns. You should have enough volume that the provider will put real effort into your calls, but not so much that their business depends on you.

If you have in-house contact management software, make sure that the provider can provide connectivity from their system to yours, allowing you to easily exchange data. If the provider uses the same software you do, you may be able to set up a real-time direct connection, allowing you to see updates as they are made.

Many providers specialize in certain types of telemarketing. Some focus on particular industries: technology, higher education, or retail, for example, which can result in a smoother launch of your program. Other providers have a niche serving audiences with multiple language support or 24/7 staffing. In your preparation, decide what “extra” services you need so you can quickly winnow your options.

In addition, telemarketing service providers can provide cost savings to many companies. They already have the hardware, manpower, and expertise – as well as the economies of scale – that allow them to operate at a much lower cost than companies that set up their own in-house operations.

## The offshore telemarketing debate

One of the major decisions to make when considering outsourcing your telemarketing operations is whether to go with an offshore provider or use a company whose call centers are in the U.S.. In the last few years, “offshoring” has really started take off – and the controversy has taken off with it. While the idea of businesses using foreign plants and workers in manufacturing has largely been accepted, choosing offshore providers for telemarketing efforts has caused much heated debate. The best advice we can give you is to make sure you base your decision on good business reasons, not emotion.

The main tradeoffs are these:

- **Choosing an offshore provider is almost always cheaper.** Rates can be as little as 25% of what a U.S.-based firm would charge for the same service. The savings are substantial enough that it is impossible to ignore this option.
- **Your choice of providers can impact your corporate image.** There will always be a segment of the population – including some within your own company – that prefer to keep these types of jobs in the U.S. Larger companies usually face more media scrutiny on these types of issues; for smaller companies, customer perception is the greater risk.

Communication issues can also arise when offshoring your operations. This can be a result of difficult-to-understand accents or cultural differences that make casual conversation difficult. Other challenges of offshore outsourcing include the difficulty of arranging site visits for evaluation and training.

You can reduce some of the risk and still lock in significant cost savings by choosing providers whose call centers are in the Caribbean, Canada, or other locations where accents aren't as strong and English is commonly spoken. In places where English is not the first language, products with simple sales cycles and highly structured sales scripts can be easier for telemarketing agents to follow.

As with most hot-button business issues, there is no one good answer to this question. Whichever route you choose, make sure your management team is on board and understands how the choice was made.

## Evaluating telemarketing services

There are many factors to evaluate when choosing potential telemarketing services. Some may be more or less important to your business, but they should all be weighed during your purchasing process.

### Price

Overall pricing is the first item many companies use to select a telemarketing provider. Unfortunately, for some companies, it is the only item. As we stated in the introduction, choosing a service provider to interact directly with hundreds or thousands of your prospects and customers should be treated as a partnership building, not a bargain-shopping, expedition.

Do your best to get apples-to-apples price quotes from the companies you are considering: either per-minute or per dedicated rep rates, and monthly minimums. Remember that training and setup costs can be substantial, especially if they involve international travel.

### Experience

Look for a company with significant experience providing outsourced telemarketing services. Startups can be fine if their management has significant experience in the industry, but it's likely safer for you to choose a company that has existing customers and a solid reputation. Industry veterans know the importance of good infrastructure – phone systems, computers, and software – as well as how to adapt with the times.

You may also want to look for providers with experience in your exact industry. This can reduce the amount of training needed and help launch your program more quickly – but of course is no guarantee of success.



### Sales reps

Whether they are called agents, phone staff, or telephone sales representatives (TSRs), the quality of the employees who actually make your calls is absolutely essential to your bottom line. Ask about their payment structure and the minimum hiring requirements to get a sense of how the company values their employees.

One good indicator of quality is how long the average employee stays with the company. An average tenure of less than a year can be a warning sign. The percentage of TSRs with a long tenure, over three years, can also be a tip-off: 35% to 50% is a good threshold to seek.

Ask about the provider's commitment to staff training and promoting from within; employees who have growth opportunities are more likely to stay with their current job.

### Additional services

You should make sure you choose a provider who can provide an overall level of support sufficient to your needs.

Verify that the account manager who handles your case understands your industry and your business, since he or she will be your day-to-day point of contact. If you need script development help, investigate the vendor's process and ask to see sample scripts they developed for other customers.

Reporting is another important aspect of the provider's offering. Without detailed, accurate reporting, judging results becomes next to impossible. Before discussing reporting in detail with potential vendors, gather input from your staff regarding the statistics that are important to them and how often they are needed. You should also decide if getting finished reports is sufficient for your needs, or if you want the provider to provide data in a common format (comma separated, Excel format, etc) so you can run your own analyses.

Some types of reports you may want:

- Total sales and revenue, plus breakdowns over time
- Sales and revenue per list
- Sales and revenue per rep
- Call duration
- Handling time
- Calls per time
- Revenue

The ability to monitor calls is another area where providers differ. Some require that you call one of their managers, who will then "piggyback" you onto an agent's call so you can hear how effective they are. Others let you dial in to their phone system directly and listen to whomever you wish without any assistance or even notification.

Finally, make sure the vendor has adequate data security measures in place. Since they will be responsible for your valuable customer data, you need some guarantees that it will remain safe and secure.

## How to compare telemarketing vendors

If you can arrange a site visit to the telemarketing vendors you are considering, you can get a wealth of information that may be hard to gather otherwise. Being in the actual call center can give you a sense of how the company treats their employees. Are staffers energetic and pleasant? Enthusiasm and friendliness in person carries over to phone calls. This will also be a good opportunity for you to look at sample scripts, meet some of the agents who may be working for you, and get a sense of the scale of the operation.



A site visit is also your chance to conduct in-person interviews with the agents. In addition to basics like how happy they are, their tenure at the company, and the projects they have worked on, questions such as "What is your next job going to be?" can help you get some insight into their commitment to telephone sales.

Another important test is listening to actual calls. Pay attention to how well the agents know the material they are selling, the overall image they project, and how well they can improvise when necessary. This the most direct way to evaluate a call center, so plan several listening sessions to make sure you get the information you need.

As with any major business purchase, you should request references of both current and former clients. If possible, ask for references to clients in businesses similar to yours, both in industry and size. Some questions you may want to ask when contacting references:

- Did you accomplish your overall goals when working with this company?
- Were you able to get all the metrics you needed around activity and results?
- What were the agents' biggest strengths and weaknesses?



## Telemarketing success

The success of a telemarketing campaign is dependent on many factors. The selling script, the time of the day when calls are generated, the personality of the TSRs, and the list of potential prospects can all influence the outcome of a campaign. Make sure you give your campaign enough of a chance to succeed: if the results are not what you expect in the first week or so, make some changes instead of canceling the whole campaign.

Often, scripts that direct the TSRs to push for a sale within the first 30 seconds of the conversation tend to result in fruitless calling. Additionally, prospect lists that are too selective or too inclusive may yield lower results than expected. Even changing the time or the day when calls are made can alter the outcome of the campaign. While a successful sales campaign may often be preceded by failures, your telemarketing firm should be flexible and receptive to any changes you suggest.

While you should develop your calling script and strategies in conjunction with the provider, you should definitely make sure that the exact methodology is spelled out in detail. Be clear about specifics such as time of day, number of tries before leaving a message, how to follow up, and any other requirements – you may want to include them in your contract.

Training the TSRs is another important step – it's recommended that your sales management runs or at least participates in the training at their call center. Take the most important lessons from your own internal sales training and present them to the TSRs who will be working on your account: the more ammunition you give them, the better they will do selling your products or services. Listening in on the first few days of calls can let you quickly address any omissions or problems.

## Pricing telemarketing services

It is difficult to pinpoint a specific market rate for hiring a telemarketing firm. Costs depend on a myriad of factors, including the type of project, skills and expertise required of TSRs, technologies needed, and even the time and day calls are generated.

Many large telemarketing firms require a minimum work order. These minimum orders can range from 1,000 to 10,000 person hours per project. Most firms charge an hourly rate and bill by the actual time spent on calls. This rate is more commonly in the range of \$25 to \$60 per hour, but can be as low as \$10 per hour for discount-priced offshore companies. As the number of hours increases, the cost per hour drops.

The payroll structure of your telemarketer also affects the bill. For companies that don't offer commissions to TSRs, you can expect the base hourly charge to be relatively high. Companies that pay commission charge relatively less per hour. Depending on the cost of your product and the base salary of TSRs working on your project, commission charges may range from as little as 1% to as high as 10% of the revenue generated.

There are many other fees to consider beyond the basic charges. You should expect a setup fee of up to several thousand dollars to launch your campaign, which should cover configuring their software for you, basic script preparation, and initial training. Other costs, such as additional training, programming, and reporting fees, may be covered by your per minute or per hour charges – or may not. Make sure the provider spells out exactly what additional charges you will incur.



## Contracts, metrics, and SLAs

A telemarketing contract needs to define more than just the contract term and pricing. It should specify exactly what standards and procedures the call center is expected to follow, how their performance will be measured, and what

penalties can be applied if they fall short of the requirements.

We recommend that you include non-disclosure clauses in your contract. NDAs make sure the provider doesn't take the lessons they learn with your business to one of your competitors. This is especially important if you choose a provider who specializes in your industry.

One typical approach is to define a minimum percentage of successful sales. If you have run similar campaigns in-house, you will have good benchmarks to start from; if not, you may have to work with the vendor to refine the goals after the program is launched.

Other contract options include exclusivity, translation services, secrecy/confidentiality, monitoring rights, and more. When creating contracts of this magnitude, almost anything is negotiable, but remember that you will pay more for special requests.

### Telemarketing services buying tips

- **Consider commission.** Working with a firm that pays commissions can sometimes drive better overall results. Commissions are more motivating to TSRs than a guaranteed hourly rate.
- **Script success.** The telemarketing script is critical – and your vendor will have considerable expertise. Take their suggestions to heart – especially if your initial results are disappointing. Minor changes can turn a campaign around.
- **800 number ownership.** Sometimes the TSRs will need to leave messages, including a phone number. The call center may offer to buy and set up a phone number for you, but this isn't a good idea. You can easily buy your own 800 number and assign it to the provider. If you ever need to switch providers, it is *much* easier if you own the phone number. The same goes for email addresses, if needed.
- **Team effort.** When training the TSRs, use the best resource you have available: bring your own most successful salespeople to help give the TSRs the tools they need to succeed.