

# Case Study: National Pharmacy Chain Implements Customer Contact Center Outsourcing Initiative Leading to Major Process Improvements

EquaTerra guides retailer through comprehensive and thorough service provider vetting process

## At A Glance

### Company Profile

The company is one of the nation's leading pharmaceutical services companies and owns one of the U.S.'s largest chains of pharmacy retail stores.

### Services Featured

- RFP Generation
- Provider Selection
- Due Diligence
- Negotiation and Contracting

### Business Processes Involved

- Contact Center

## Executive Summary

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This large pharmacy chain was looking to outsource its contact center operations for its website and two subsidiaries. The company turned to EquaTerra to help it evaluate the best service provider for the job. EquaTerra led the company through a comprehensive service provider selection process to ensure the right provider was hired for the job. This process included multiple site visits to on-shore and near-shore contact center facilities. Today, the company boasts full-fledged contact center operations and provides its customers with round-the-clock customer service.

## Business Challenge

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This national company began its relationship with EquaTerra in January 2005 when the retail giant engaged EquaTerra to assist in making process improvements, including helping the company develop a business case for outsourcing its human resources (HR) functions and its store support functions. After several starts and stops and the completion of the HR outsourcing transaction, the company again retained EquaTerra to help it choose an outsourcing service provider for its customer contact center operations.

## How We Helped

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As part of the store-support outsourcing initiative, EquaTerra led the company through the RFP process with several potential service providers. The results of this process identified the Contact Support Center (CSC) as the ideal candidate for both improved operations and significant cost savings. Negotiations were initiated with a tier-1 service provider with a near-shore contact center. However, some other internal leadership changes forced the initiative on hold.

Approximately a year later the company renewed its interest in outsourcing its contact center operations. Having recognized the potential benefits of leveraging external service providers to deliver contact center services, three different contact centers were identified as a focus of this initiative. All three of these centers supported external customers (i.e. the 'consumer').

A year later the three different contact centers were now in-scope, and it was decided to re-evaluate the initial provider selection and evaluate other potential providers. This expanded deal also brought expanded requirements. For example, one of the contact centers was undergoing vast expansion, and needed a contact center operation that could handle a large amount of projected call volume. This contact center also required the provider offer on-shore facilities, as the company handled sensitive and private health information.

After a careful provider evaluation process, EquaTerra and the company determined the previously selected provider was still the best for the job, even given the new requirements. In fact, the provider had on-shore contact center facilities that could handle a large amount of contact center volume and offered a good cultural fit.

However, yet another roadblock emerged. The company appointed a new Director of Contact Center Management, who needed to have a say in the provider selection process. The director asked to broaden the search to include additional service providers to ensure all factors and opportunities were fully considered and explored.

EquaTerra stepped up to the plate again to help the new director broaden the company's service provider search process to include several other firms, including an in-home provider. EquaTerra wrote and issued an RFP to providers who could offer near-shore and on-shore capabilities.

After much consideration, the field was again narrowed to the once-selected provider and a leading in-home contact center provider (an in-home contact center provider hires customer service representatives who work from home). With the field narrowed to two leading contenders, EquaTerra took company executives on site visits, as well as developed and scored financial models to help make the best possible selection. EquaTerra also was pivotal throughout the negotiation processes with both down-selected companies, helping the company glean full potential from both parties.

After much consideration and after weighing the pros and cons of both providers, the same provider considered during the two prior RFP processes was again selected. EquaTerra was again pivotal in this process, as EquaTerra helped weigh the pros and cons of each provider's model. The key deciding

factor ending up being the company's perceived differences between an at-home vs. the traditional centralized contact center model.

With the centralized service delivery model, EquaTerra and the company believed the customer service representatives (CSRs) were provided with more extensive and on-going training, all of which took place on-site at the provider's state-of-the-art facilities. The provider's culture also fostered a process of knowledge sharing and collaboration between employees that could not be duplicated in an at-home setting. In fact, the provider's best-in-breed practices, where formalized knowledge sharing took place between contact centers across globe, ensured the company would have a structured and well-organized contact center from day-one.

While the at-home alternative would enable the company to ramp-up quickly and more easily scale up and down with staff (especially during peak seasons) the teams placed more value on the training the selected service provider offered its employees. Additionally, one contact center showed reservations about the at-home model having adequate security and privacy policies (i.e., following strict HIPAA laws) given that employees worked from their homes and not at a secured office.

## Results

The customer contact center outsourcing initiative enabled the company to obtain the services of a tried and true professional contact center service provider, creating a significant process improvement for the retailer. This three-year deal enabled the company to provide its customers with round-the-clock customer service and enabled the retailer to employ the services of trained contact center representatives who could administer advice.

Overall, the company would be providing better customer service to its clients because the service provider could accommodate the anticipated call volume growth resulting from expansion. In fact, one subsidiary had already grown from 70 sites to 120 sites, and the company projected 500-700 more sites within year. This swift growth would guarantee higher call volumes that could only be managed by a true contact center, with both the infrastructure and processes required to support such rapid growth. Additionally, the provider would be able to handle higher levels of call volumes

during busier seasons (i.e., the winter cold season) than it would have been able to handle with its prior answering service.

Another subsidiary also was set to experience higher customer service levels than it achieved with its previous provider, along with a more structured and fine-tuned contract. This anticipated growth in call volumes was largely the result of aggressive promotional campaigns.

### Advisor Insights

This engagement, with all its unique twists and turns, has prompted EquaTerra to reflect on some of the challenges, and lessons learned, including:

**It's important to have structure and processes in place up-front with a service provider.** One subsidiary ended up switching service providers because its contract was not structured properly and ultimately didn't work out. A third-party advisor, like EquaTerra, is able to help negotiate fair contract terms with penalties, service levels and other factors to ensure a contract is structured for success.

**Both the client and the service provider need to understand that the deal needs to be a win-win situation for both parties.** In other words, any contract needs to be mutually beneficial, where the company is satisfied in terms of pricing and service and the service provider is fairly compensated for its efforts. EquaTerra was able to ensure both parties' needs and desires were met so each company mutually benefited from the deal.

**Like most contact center outsourcing deals, it's important to understand there will be some ramp-up time.** The client should be coached as to not expect the same service right away. New people are handling calls and handle time can be up to twice as long for several weeks or even months during the transition process. Proper understanding, communications and mutual respect between the service provider and client, often facilitated by a third-party advisor, can ensure continued good-will between parties, even during a transition period.

### About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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