

Outsourcing – making it work

NIIT Technologies Ltd - BPO offers customised back office and contact centre solutions with a focus on financial services, insurance, retail and travel verticals. Here, S Viswanathan, the company's COO, describes how providing pricing flexibility for its clients has benefits for both parties.

Each of us has heard stories of industry colleagues who have affected great changes in their organisation's performance by leveraging outsourcing.

Of course, we have also heard all the tales of how making it work was a rough ride. Naturally, there are times when the process has sailed smoothly with no hitches or stress, but these occasions tend to be fewer.

What constitutes 'correct?'

A very big part of making an outsourcing arrangement work is getting the commercial model correct.

Like in all business transactions it is important to recognise that both the outsourcer and the service provider have to see financial viability in the arrangement.

In itself this is not a big deal, but the challenge emerges when we try to create a pricing model.

In one of NIIT Technologies' earliest customer partnerships with a leading UK-based low-cost airline we started with a Full Time Equivalent (FTE) rate, which we agreed for the period of the contract.

However, after two years, economic conditions created significant uncertainty in our customer's business, and they therefore needed some innovation to help sustain the business.

Because we had a fair idea of the volume of work and the effort per transaction (and also the variability in the effort) we could derive a transaction price for the customer, which ensured that they only paid for work they generated and that they did not have any fixed cost.

This change in pricing model meant we took on some of the risk, since we would have to retain the team to deliver the work volumes, despite the probability that they may not all be kept busy all the time.

The partnership is now in its fifth year, primarily because both parties are able to estimate the volume of work in advance so that the team composition is maintained accordingly.

'It is essential to track performance and productivity on an ongoing basis so that any corrections can be mutually agreed.'

High-street retailer

NIIT Technologies has also initiated a new chat service for a leading European high-street retailer who had no prior experience of this kind of work.

The challenge was to determine the value proposition for the client, and the solution was a fixed-term pilot that was for an agreed fixed amount per month, after which we created a transaction-based price that worked for both parties.

The two solutions outlined above are not isolated situations. As a company, NIIT Technologies finds that flexibility in the pricing model is key to making a relationship a success.



To ensure that the pricing remains 'correct' it is essential to track performance and productivity on an ongoing basis so that any corrections can be mutually agreed.

The second key dimension of 'correctness' is to have a fair performance metric against which the performance is measured and assessed for any bonus or penalties, which makes it meaningful for both parties to strive to improve the performance on a continual basis.

Therefore the key issues to get right are:

- Pricing model – as per requirements of situation, Fixed Lump Sum, FTE rate, transaction rate
- Service Level Agreement – fair performance expectation with service bonus and penalties. ■

Further information

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