

**2009**

# Response Process Outsourcing



A new paradigm for  
consumer brands

Chaupaati Bazaar

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## Market

***Response Process Outsourcing (RPO) is outsourcing of the process to service, manage, convert and measure consumer responses to callback numbers advertised in mass advertising campaigns of consumer brands. Consumer brands building this capability in-house or outsourcing this to a regular BPO are likely to incur several months of fixed cost, software development, training and process development before achieving desired results, productivity and cost-efficiency. RPO is a way to quickly achieve results without incurring any fixed cost, and then continuously improve the process to increase conversions and customer delight as the business scales.***

Business Process Outsourcing (BPO) is now a decade old industry. Call centers and Customer Relationship Management (CRM) solutions have evolved to reduce costs, optimize productivity, and improve customer satisfaction. However, the focus of most inbound processes has been customer service while outbound processes have been dominated by sales and marketing objectives. The two have largely been independent processes driven by different business objectives and separate departments within the corporation.

Consumer behavior to call a service number for information is an increasing trend in the country. A range of information services are accessible by phone today and consumer brands are increasingly capitalizing on this trend by offering callback numbers in their advertising and compelling them to call. This is a way to instantly engage the consumer in order to measure advertising effectiveness as well as build the pipeline to convert sales. However, BPO's and CRM systems have not yet evolved to address the challenge of servicing inbound calls of prospective customers, neither have marketing personnel and branch sales built expertise in setting up and managing call center processes. As a result, small in-house processes are becoming fixed cost sinks and management overheads. Or worse, untrained BPO's are learning at the expense of the brands' revenues and reputation.

## Process

To understand the current process scenario of consumer brands that have invested in direct response mechanisms, let us explore the life-cycle of a consumer responding to the advertisement by call, SMS or e-mail. Each team in the organization has best interests at heart when designing the process such that consumers get a good experience and quick turn-around while the organization gets the quickest path to revenue. However, when you look at the life-cycle of the consumer, each link in the chain adds a potential risk and delay in achieving business objectives.

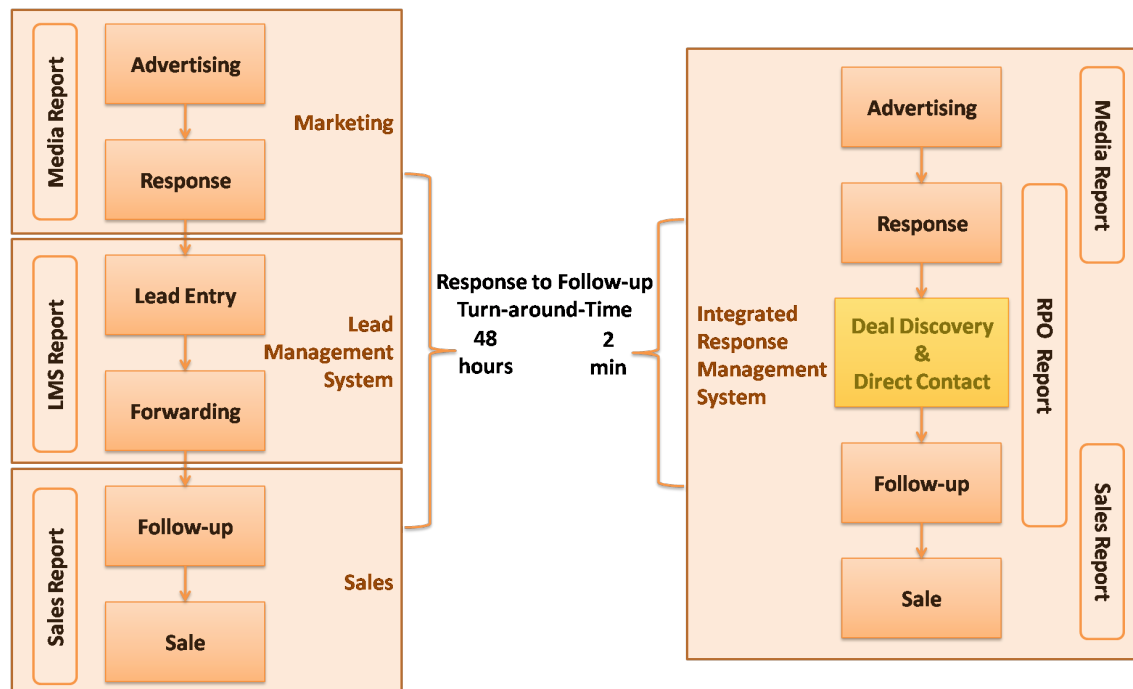


Figure 1 - Process without and with RPO

The first step in the process is the response capturing mechanism that reports the volume of responses received by logging number of calls, messages or e-mails received; and the all-important mobile number or e-mail to communicate with the consumer. The consumer usually receives an acknowledgement confirming that her response has been received, with a promise of gratification in the near future. A live person receiving the call or calling back can perform further qualification and provide more comfort and trust to the consumer about what to expect. This step in the process is almost entirely controlled by the advertising team. Implementing a mechanism to receive and measure responses usually involves a moderate fixed cost and nominal variable cost.

In the second step, a lead management system takes over. Responses are logged as leads, which get forwarded to respective points-of-contact using a manual or automated rules-based system. As organizations undergo constant change, managing changes in points-of-contact and training or managing rules becomes an overhead that is not usually anticipated at the time of designing the process. The respective point-of-contact is then tasked with a turn-around-time in which the actions must convert to lead gratification, and is typically enforced by supervision and incentives. This step in the process is usually undertaken by an operations manager. Off-the-shelf lead management systems are not easy to set-up and customize in order to meet all requirements of the process, unless there is access to qualified IT staff and integration engineers. This usually increases time-to-market, initial cost and a moderate operational cost. Setting up reports and alerts requires an additional level of expertise.

The third step involves last mile conversion to sale, where the order is processed, product or service is delivered, and payment is collected. This step is either undertaken by the retailer or the direct-sales associate, depending on how the sales organization is structured. In cases where the organization has a direct sales capability through the phone or Internet, the LMS and Sales are already integrated and the process is much easier. In all other cases, the hand-off between LMS and the sales channel is always fraught with friction. Stale leads, erroneous leads, incomplete lead information, inconsistent reporting, lead duplication and mis-trust between multiple parties are few of many reasons why the process fails to deliver desired conversions for sales managers.

## Sales models

Two types of sales models are common amongst consumer brands for durable products and consumer services. The first type of model is a classic *2-tier distribution* model where brands supply inventory to retailers via distributors, and spend on mass market advertising to drive consumer footfalls for the retailers. These retailers might be owned stores, exclusive franchisees or multi-brand franchisees. The second type of model is a *direct sales* model where associates reach out to customers locally or service inbound leads forwarded to them by territory as a result of mass market advertising. The direct sales associates might be on the brand's payroll, or captive through agencies, or local entrepreneurs working on commission basis. Depending on the nature of the product or service, the role of a DSA ranges from last-mile payment collections all the way to complete sales. Although an over-simplification, all sales models can be seen as variants of one or combination of the distribution or direct model.

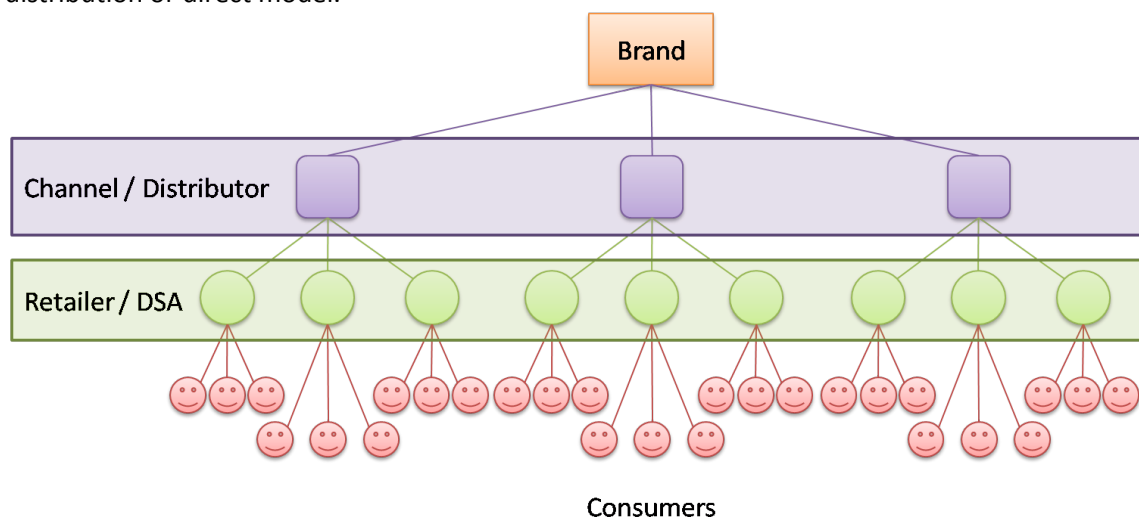


Figure 2 - Sales model

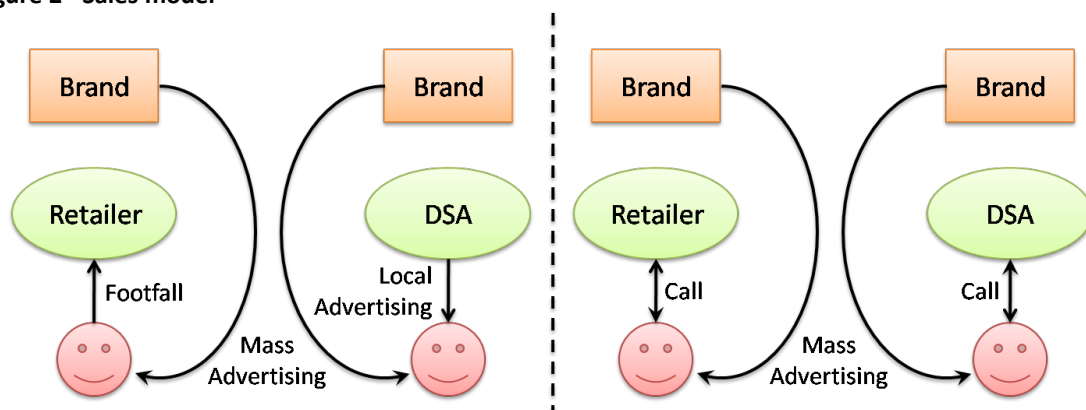


Figure 3 - Sales model without and with RPO

## Why RPO?

Sir William H. Lever famously said: “Half the money I spend on advertising is wasted, and the trouble is I don’t know which half”. While online media brings the power of measurability, it lacks reach. Print, outdoor and retail media have a combined marketing spend of Rs.13,000 Crores but are still allocated for reach rather than response. RPO lets you **measure the response to offline campaigns** in real-time and accessible through an online dashboard. Imagine being able to view the call frequencies, caller locations, qualification level of leads, and popularity of offers every minute after a campaign goes live. Now you know what’s working and not, and well in time to do something about it.

According to Procter & Gamble, a thought leader in consumer marketing, a shopper makes up their mind about a product in three to seven seconds, just the time it takes to notice a product on a store shelf. This time lapse is often called the “first moment of truth” (FMOT). With active responses on your mass marketing campaigns, you have now created the opportunity to transform the moment of brand registration to the FMOT. RPO provides the opportunity to follow a **customer-driven approach** to interact with, gratify and convert the customer at the FMOT instead of following a script-driven approach to lose the customer as a lead that is gratified further down the chain. Unlike a traditional BPO or CRM process, an RPO is built for customer-driven sale rather than script-driven customer service and workflow management.

A lead management system has become a necessary evil that exposes the consumer to the operational complexities within the organization. A multi-step process of selling gives the consumer multiple drop-off points. The need of the hour is to short-circuit the response to the last-mile point-of-sale so that the two most motivated parties are in direct contact to fulfill the transaction. RPO allows you to quickly identify the right point-of-sale for a consumer, depending on the offer, location and requirements, and **directly connect the two parties using dual-SMS**. This dual-SMS turns lead management into a conversion tracking system where reports are used to track sale rather than drive sale. RPO also allows faster turn-around for change management such as expired inventory, change in point-of-contact, incorrect lead, and erroneous or incomplete offer information.

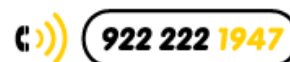
An in-house or outsourced call center process involves fixed costs due to salaries, telecom charges, workspace, and associated expenses. Call flows in advertising responses are beyond the control of the brand. There are times of peak when the responses will exceed process capacity and times of trough when responses are so low that agents get complacent about even those responses that trickle in. Supporting service hours before 10a in the morning and beyond 6p in the evening lead to higher cost and effort, while consumers might have a strong preference to call in slots that do not fall between 10a to 6p. These preferences change with season, type of offer, target audience and external events beyond the brand’s control. Shared RPO allows the brand to **eliminate fixed cost** by paying the service on a pay-for-performance basis and perform **on-demand load balancing** to account for highly variable call flows.

Surprisingly, media planning decisions in mass marketing are still driven by anecdotal and statistically insignificant data and trends about consumer response to the advertising campaign. Critical conclusions about brand communication, choice of medium and choice of target audience are validated or changed well after much money has been sunk into the campaign and the damage is already done. RPO allows **comprehensive A-B testing** with real-time feedback on consumer behavior. Testing response to multiple messages, multiple offers, multiple target groups, multiple media and multiple locations becomes possible in the middle of the campaign. Indeed, the power of RPO is realized when aggregated information about the life-cycle of all responses comes full circle, back to the marketers in a browser dashboard in real-time and allows for agile decision making.

## Conclusions

You can create a sales channel that lets 300 million Indians buy your products and services just by talking to a person by phone in their local language. While only 4 million Indians do commerce on the Internet and a large number of Indian consumers are not comfortable with reading or writing, every earning Indian knows how to dial a number and talk to someone. You cannot miss out on the opportunity to create a direct channel by phone simply because of the operational burdens of setting up a response process.

With Response Process Outsourcing, your focus remains on the business that you know best, while outsourcing the response process to experts who know that business best. The opportunity to do that on a pay-for-performance basis, while bringing delight to your consumers and increasing sales is worth exploring further. Get yourself an RPO solution today.



Chaupaati Bazaar enables 300 million Indian consumers to buy and sell products using their mobile phone. With Chaupaati, consumers do not need computers, Internet connections or even the ability to read in order to buy and sell. Anyone with a mobile phone can call a number, speak in their native language and quickly find or offer deals. For businesses, Chaupaati is a valuable channel to directly connect with consumers.

In the first 15 months, more than 10,000 households, 5,000 small businesses and 20 brands have used Chaupaati to connect with over 100,000 consumers who called 922-222-1947 to look for deals. Chaupaati estimates that over Rs.15CR (\$3M) of durables, computers, automobiles, real-estate, jobs and household services have been sold through Chaupaati till date. E-bay India's Country Head summed it up in a recent panel at ISB, "Heard about Chaupaati Bazaar, start-up by ex-IIT Bombay folks. They seemed to have cracked it. Mobile deals work better in Indian market." Chaupaati has been covered by regional and mainline newspapers and TV channels. Wharton and ISB students have written and published case studies on Chaupaati.

Pan-India consumer brands are also using Chaupaati as a pan-India direct-to-consumer channel. Chaupaati services responses generated by the brand through various media and converts them to desired business goals. Such channels are being created for leading brands in durables, education, retail, health and FMCG categories. This market opportunity for consumer brands is creating a new category in the domestic BPO category called Response Process Outsourcing (RPO).

Chaupaati's mission is to **aggregate the commerce between consumers, unorganized businesses and brands in India, and make it easily accessible.**

Chaupaati Bazaar was started by Kashyap Deorah (Righthalf.com - acquired by Stratify, then Iron Mountain NYSE:IRM; Geodesic 503699 NSE/BSE), and is angel funded by Anand Rajaraman (Junglee, acquired by Amazon.com NASDAQ:AMZN; Cambrian Ventures) and 7 other successful entrepreneurs who have invested in individual capacity. Chaupaati has a strategic advisory board of 5 seasoned executives from some of the largest Indian consumer businesses. Chaupaati's executive team includes 7 IIT Bombay alumni.

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