



Outsourced customer service excellence

TNT Express Italy has assured continued market leadership by transferring management of its call centre platform to BT Albacom

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Riccardo Bergerone
CIO
TNT Express Italy

Executive summary

TNT Express Italy, a subsidiary of Netherlands-based TNT NV, is the Italian market leader for domestic and international parcel and package shipments. In 1998, it decided to get first mover advantage by creating a call centre infrastructure for its domestic customers. In 2001 it chose to outsource the call centre platform and adopt an 803XXX freephone number, in order to concentrate upon its core business and further improve its customer interface.

In a five-year €5 million contract BT Albacom assumed ownership of all relevant hardware and software assets. It first rationalised the number of call centres from 13 down to six. Later initiatives were

to transform the call centres into one virtual contact centre using intelligent network techniques.

The virtual contact centre has improved agent productivity by 10 per cent, saving TNT Express Italy some €1 million per annum. Percentage calls handled within 10 seconds have improved from 69 per cent in 2001 to 84 per cent in 2005. Most importantly, TNT Express Italy has been able to differentiate its customer service and maintain its market leadership, and BT Albacom has learned valuable outsourcing skills that it is now able to offer to other customers.

TNT severity analysis	Description	98 per cent service level agreement
Severity 1	Cannot be circumvented and involves the blocking of communications at a level greater than or equal to 30 per cent of users or telephone lines	Faults will be cleared within four working hours, hourly update provided
Severity 2	Cannot be ignored and involves the blocking of communications at a level less than 30 per cent of users or telephone lines	Faults will be cleared within 12 working hours
Severity 3	Can be temporarily circumvented and involves the blocking of communications at a level greater than or equal to 30 per cent of users or telephone lines	Faults will be cleared within 24 working hours
Severity 4	Problems or planned operations that have no immediate impact on TNT. For example, activation of specific system features	Faults will be cleared within 72 working hours

The outsourcing agreement between TNT Express Italy and BT Albacom includes strict 98 per cent service level agreements for customer service affecting breakdowns. Severity is assessed by TNT Express Italy and responded to within the contracted timescales by BT Albacom.

A BT outsourcing case study

TNT Express Italy

The business case

Background and challenges

TNT NV is a global leader in express delivery, logistics services and mail. Based in the Netherlands, it employs over 160,000 people in 63 countries. Its in-country subsidiaries are given the commercial freedom to address local market conditions, while operating under the brand values and business processes of the parent company.

TNT Express Italy is the Italian market leader for domestic and international parcel and package shipments with revenues of €550 million in 2005. It carries around 35 million consignments a year using 135 depots and 19 distribution hubs and employs 3,500 people (not including around 3,000 drivers and delivery staff belonging to outsourcing subcontractors).

The express delivery market globally is very competitive and price driven. Meeting the market price is simply a condition of doing business: the only real opportunity for differentiation is customer service.

Until the late-nineties, in the domestic Italian express delivery market, customer contact centres were unheard of. The only way for customers to get, say, price information and tracking data was to ring their local depot. Whereas large depots might have dedicated customer service staff, in smaller depots the first person available answered the phone. That took

people away from their normal jobs, affecting service delivery. Customers could wait a very long time for a response, as depots tried to juggle answering queries with managing business as usual.

Although a call centre already existed for its international business, TNT Express Italy was the first company to recognise the need to adopt a more customer-centric business model for the domestic market.

Riccardo Bergerone, CIO at TNT Express Italy, explains: “We have always been the domestic market leader and, to maintain that position in the face of increasingly aggressive competition, we took the decision to supercharge our customer service capabilities. In 1998, we started the creation of a network of contact centres. This was a huge investment. There were no manpower savings to counterbalance the costs of premises, people and systems.”

Financial and operational goals

By 2001, the new contact centres were fully established and customers had been successfully persuaded to switch to the new streamlined facilities. TNT Express Italy then went looking for an outsourcing partner.

Riccardo Bergerone again: “The reasoning was simple. Our core business is shifting physical things around, not running telecommunications. Furthermore, by outsourcing the different components of

our contact centre infrastructure, we would have a single interface, instead of different suppliers blaming each other for service problems. We wanted to rationalise our customer interface with a single freephone number, and enter into a full outsourcing contract for the network and hardware platform.”

Partner selection and relationship development

Explaining the eventual choice of BT Albacom as an outsourcing partner, Riccardo Bergerone says: “BT Albacom was proactive and customer-focused. Its people listened carefully to our needs and explained how they would actually design and build the service that we required. They took the trouble to get close to us and did not adopt a complacent take-it-or-leave-it attitude.”

The value of the contract was €5 million over five years and – within that financial envelope – BT Albacom purchased from TNT Express Italy all of the relevant hardware and software for a consideration of €1.15 million. These assets would therefore not appear on TNT Express Italy’s balance sheet in future, saving depreciation charges and conferring upgrade and replacement costs to BT Albacom.

Riccardo Bergerone continues: “The importance of personal relationships should never be underestimated: it is probably one of the most important success factors in an outsourcing partnership.”

TNT Express Italy is quite candid about its view of BT Albacom at the time. It knew that the service provider did not necessarily have all the skills and resources from Day One. But BT Albacom passionately shared TNT Express Italy’s vision for differentiation through customer service. It was believed that, together, the two companies could grow the necessary skills.

Riccardo Bergerone explains: “Both sides have made gains from this outsourcing contract. I would argue that through our partnership, BT Albacom has developed the right skills to handle such contracts for a wide variety of companies here in Italy.

Outsourcing scope

Under the terms of the outsourcing contract the successful supplier would be required to manage:

- TNT Express Italy’s existing call centre technology platform – including Nortel Symposium ACD hardware and Didata contact centre software
- TNT Express Italy’s dedicated network infrastructure – including provision of the 803XXX freephone number
- TNT Express Italy’s population of PABXs – some 94 switches from various suppliers

Full maintenance and support – including hardware and software enhancement and upgrade – would be required throughout the life of the five-year contract backed up by clear service level agreements (SLAs).

For our part TNT Express Italy has learned to be very clear about its business needs and requirements from the outset. We have had to develop our ideas – such as the need for intelligent network services – as the relationship has matured. But that is the advantage of having a shared vision and staying close to each other.”

Transition and change management

Enabling projects

The outsourcing contract with BT Albacom is but a small part of the massive culture change that TNT Express Italy has gone through over the past seven years. The move away from an operation-centred to a customer-centred ethos – most visibly evidenced by the customer service contact centres – goes hand-in-hand with a ruthless focus on core business.

The change management process involved was for BT Albacom to identify and audit the assets that it was buying and then put in place the back-to-back contracts it needed with third parties such as Nortel, Didata and Comtel for ongoing supply and support. The company also chose to rationalise the original thirteen TNT Express Italy contact centres down to just six: three major centres in Turin (the international hub), Padova and Naples; and three smaller centres in Milan, Florence and Rome.

Human resources

The outsourcing agreement between TNT Express Italy and BT Albacom involved the transfer of assets and third party support arrangements rather than transitioning people working in contact centres. The contract released people in TNT Express Italy’s IT function to concentrate upon value added tasks, rather than waste time managing multiple suppliers.

Risk management

TNT Express Italy’s approach to risk management is typically robust and straightforward. Riccardo Bergerone explains: “We are a very demanding customer and we simply put pressure on our suppliers to deliver. But BT Albacom is a commercially astute company. It recognised the nature of the opportunity,

and the downside of getting it wrong. Yes, TNT Express Italy was taking a small gamble in placing the contract with BT Albacom, but the potential benefits for both partners made sure that we got the right result.”

Problem handling

The implementation of the freephone number was a real step forward in TNT Express Italy’s management of its customer relationships. It provided a single point of contact for customer service and shifted the responsibility for paying for calls from the customer to the supplier. However, with up to 35,000 phone calls per day – peaking at 55,000 per day during the pre-Christmas period – TNT Express Italy quickly found itself with load balancing problems between the contact centres.

The decision on which contact centre to route a call to was based upon the area code from which the call originated, meaning that one contact centre could be very busy while another would be relatively quiet. This had a marked effect on the speed and quality of the local response, and the productivity of the individual contact centres.

What TNT Italy needed was a network service that could route calls to a contact centre based upon not only a customer’s needs but also the availability of the right agent to answer the query – wherever they might be in Italy. The problem was that, at the time, BT Albacom did not have such an “intelligent” network architecture.

Working together, TNT Express Italy and BT Albacom specified the required network facilities. BT Albacom then built the required intelligence into its infrastructure. First, it implemented interactive voice response (IVR) enabling callers to choose the service they required e.g. domestic or international shipment. Second, it provided the means to move calls around the system so that, for example, a free agent in Turin could answer a call originated in Rome. Together these initiatives enabled TNT Express Italy to convert the six individual contact centres into one large “virtual” contact centre.

Riccardo Bergerone says: “This is an example of how the outsourcing relationship works. We wanted these changes made very quickly and BT Albacom told us what it thought was achievable. We then negotiated a compromise timescale that was actually a lot faster than BT Albacom’s original estimate.”

“This was all about TNT Express Italy being able to differentiate its customer service and maintain its market leadership. In both of those areas we have more than exceeded our aims. We are very pleased with the service that we are receiving from BT Albacom. The process and cultural changes that we have made together have been entirely achieved without affecting customers – other than to improve their experience of working with TNT Express Italy.”

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Business outcomes

Measures of success

It is not possible for TNT Express Italy to establish the customer service benchmark that existed before the outsourcing agreement was entered into, because there was no way of centrally measuring, say, call answering times across its contact centres.

Riccardo Bergerone comments: "Now that we have a single supplier with overall responsibility we can centrally measure total calls, lost calls, time to answer, call holding time, and so on." The virtual call centre is now handling as many as 6,600,000 calls per annum. The percentage of calls handled within 10 seconds has improved from 69 per cent in 2002 to 84 per cent in 2005.

Service outages are classified according to their severity. For example: a Level 1 customer service fault would see 30 per cent of users or lines out of service; a Level 4 fault would be a system performance problem with no immediate operational effect. The SLA states that BT Albacom will fix Level 1 faults within four working hours and provide an update every hour. A dedicated BT Albacom service manager is available to TNT Express Italy and, as well as handling problems and queries, he provides a quarterly traffic report for forward planning.

Financial and operational results

The creation of the virtual call centre has enabled TNT Express Italy to significantly improve productivity across its call centres. The efficiency ratio of the agents, measured as percentage utilisation of productive time, has improved from 70 per cent in 2002 to 80 per cent in 2005. TNT Express Italy estimates that that productivity improvement is saving around 30 people or the equivalent of €1 million per annum.

Riccardo Bergerone concludes: "Cost savings were not the primary objective of the exercise. This was all about TNT Express Italy being able to differentiate its customer service and maintain its market leadership. In both of those areas we have more than exceeded our aims. We are very pleased with the service that we are receiving from BT Albacom. The process and cultural changes that we have made together have been entirely achieved without affecting customers – other than to improve their experience of working with TNT Express Italy."

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