

MA/SG Outsourcing: Practice Drill #3 - Practical solution**Qual**

You are considering outsourcing the call center function to be able to move to a smaller office space. Below is the analysis of the two options from both quant and qual perspectives.

Quant

As seen in App 1, the Amero option will result in \$98K savings. Considering that Amero is in the US, I have performed a sensitivity analysis for the 5% FX fluctuation. If the FX were to increase by 5%, the incremental cash flow would decrease to \$62K. If it were to decrease, it would increase to \$133K. Assumptions were made that the FX fluctuation will not change from the average 5%, that the tax considerations are omitted and that the agents will work the same 33,000 hours.

Qual**DigiCall****Pros:**

- DigiCall is Canadian company that is familiar with the Canadian market, which means the synergies are more likely to be realized, positively impacting the operations
- The company has been nominated as one of the best startups of the year, which means it's likely that the company will succeed in providing the outsourcing function
- DigiCall is known for answering queries quickly, which matches PPI's objective of answering queries within 2 hours.

Cons:

- Though DigiCall answers queries fast, the customer satisfaction is not a priority for this company, which doesn't align with the mission to offer outstanding customer support
- DigiCall is a new company established in 2020, it's unknown if the company will succeed in the long run as it doesn't have a proven track record

Amero:**Pros:**

- Amero prioritizes customer satisfaction. This means its values align with PPI's mission of providing outstanding customer support
- Amero's staff are well trained and knowledgeable which means they are likely to succeed in providing excellent customer support, which align with the company mission
- The company is well-established and has a reputation, which means it has a proven track record of success and is more likely to succeed in the long run.

Cons:

- Amero is located in the US, it is not a domestic support center, which may negatively impact the perception of our Canadian customers
- Given the outdated technology, Amero may experience technical difficulties helping customers which may negatively impact PPI's brand

Recommendation

From quant perspective, it makes more sense to choose Amero, given the favourable incremental cash flows. However, given that DigiCall is a Canadian company, it is one of the best startups and it can answer queries rapidly, it is also a viable option. Given PPI's mission of providing outstanding customer support, I recommend to outsource to Amero as it's values align closer with PPI's. The outdated technology is on track to be updated by the telecomm offer, this risk is likely to be mitigated.

Quants

Purpose: To quantitatively compare outsourcing the call center based on avoidable costs.

Conclusion: DigiCall will result in outflow of \$192k, while Amero option will save \$62k to \$132k.

Number of agents 20
Total shift hours 33,000 A

PPI**Avoidable costs:**

Call center agent wages	600,000 per IS Note 1
Call center supervisor salary	80,000 per IS Note 2
Telephone costs	98,000 per IS Note 3
Rent and utilities	12,000 per IS Note 4
Sale of equipment	10,000 per IS Note 5
Avoidable costs	800,000

DigiCall

Daily fee	-35,400 -(\$100*(365 days -11 days))
Hourly fee	-957,000 A x \$29
Estimated costs	-992,400
Avoidable costs	800,000 per above
Incremental cash flow	-\$192,400 Unfavourable

Amero	Current	5% FX incr	5% FX decr
Daily fee	-42,480 -(\$120*(365 -11))	-44,604	-40,356
Hourly fee	-660,000 A x \$20	-693,000	-627,000
Estimated costs	-702,480	-737,604	-667,356
Avoidable costs	800,000	800,000	800,000
Incremental cash flow	\$97,520 Favourable	\$62,396	\$132,644