Services Costing in Contact Centre Outsourcing Operation: An Activity-based Costing Model Approach

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Abstract— Contact Center Outsourcing (CCO) has been identified as the knowledge-based business services which a tremendous growth over the last decade despite many challenges including the continuous escalation of operational cost. Technologies and human capital related costs make up two major components of cost of producing contact centre services. The allocation of costs which is crucial towards deriving an accurate units cost of services. Therefore the study was conducted to identify major component of contact center outsourcings activities, cost drivers and to map costs allocation matrix towards ascertaining each costs element to unit services. A series of interviews were conducted among managers and officers in the contact center operation. Rigorous review of process documents were also performed to retrieve information related to activities costs pool and operational processes. Activity based costing model (ABC) was used to map cost allocation matrix. It can be concluded that the major components of activities for CC operations were HC, IVR, EC, MO, QA and TA. The cost structure for a unit cost of services was 74% dominated by VHRC whilst technology related costs represented approximately 10% of total unit cost.

Keywords— Activity Based Costing, Contact Centre Outsourcing, Call Centre, Cost Management, Services

I. INTRODUCTION

The role of contact centers (CC) as a viable channel for customer point of interactions has been recognized by most commercial firms and the government’s agencies particularly in the developed and advanced economies [1]. Realizing the strategic importance of contact centers to most organizations, its operations should reflect the paradigm of modern knowledge-based service which integrate the intensity in technology, human capital skills and efficient of processes [2]. Therefore the key success factor for contact centers lies to the ability of managers in maximizing the trade-off between quality services and costs in order to stay relevant in the industry [3]. CC’s nature of operation is regarded as human capital intensive in which the direct labor cost represents major component of total operating cost. Managing labor costs, technology related costs and overhead required comprehensive and careful planning and monitoring.

II. LITERATURE

A. Contact Center

The advancement of ICT has influenced most of CC operations to innovate and adopt modern features and capabilities such as an automatic calls distribution (ACD) and inter-active voice response (IVR) as to improve productivity [4]. Towards the early 2000s contact centers became one of the most rapid growing sub-sectors of employment providers in many countries [5] including outside United Stated and Europe. Initially, contact centers were not regarded as an industry [6] but rather a mere form of work activities of organizations related to telephone enquiries. The advancement of ICT has facilitated the growing demands for new business processes approaches on the legacy system of many firms to meet the expectations for better customer relationship managements [7].

Further changes in customer demand [8] and the need for customized services have made possible for commoditization and globalization of services such as contact centers which previously produced internally are now outsourced [9].

B. Costs Structure