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You're not buying widgets - Successful negotiation requires an understanding of the intricacies of contact centre delivery.

In any purchasing relationship, the buyer wants to pay as little as possible for as much as possible; the seller wants to gain as much as possible for as little as possible. It's the natural way of things, and is a good starting point when it comes to negotiating outsourced contact centre pricing and contracts. With contact centres, though, it's not a simple single item transaction. A client buys people, processes, systems, quality, training and multiple outcomes - customer service and satisfaction, sales, resolution – all of which are provided by the supplier in an integrated solution. A change in one requirement may affect another, and this often has an effect on the ultimate price. An outsourced service provider typically makes between 5% and 15% net profit – for argument's sake, let's set it at 10%. Any changes can turn a profitable activity into an unprofitable one – often with the consequence that the outsourcer cuts its own costs and therefore the quality of the service provided to the client. For example, a client recently tendered its contact centre activity based on 3 days' training. In the end, training took 5 days. The outsourced service provider (OSP) was happy to take on some of the extra cost during set-up, but was concerned that this would cost them on an on-going basis. Given its profit margins, every extra day that the OSP has to train an agent at its own cost could require 10 extra days of work before that agent turns a profit for the OSP. The OSP was rightly concerned that this apparently minor change could affect its profitability. In my experience, perceptions around pricing are one of the major causes of dissatisfaction in an outsourced relationship. Either the client feels it is being overcharged, or the OSP can't make the profit it deserves.

There can be many reasons for this – I have seen clients incorrectly specify their requirements, so that they certainly don't get value for money. I've known OSPs to run so inefficiently that they can't make a profit. I've seen clients screw down pricing so that even the most efficient OSP is squeezed for a buck, and I've witnessed OSPs happily overcharging clients.

My advice to clients is to respect that their OSP has a right - even a duty – to make an acceptable profit. My advice to OSPs is simply this: don't try and rip the client off. You'll get found out sooner or later, and there will be no coming back from the brink.

But how is this achieved? Principally, I feel, by both sides understanding the drivers behind their numbers, and being able to honestly explain these drivers to each other. They also need to have a lot of trust – with the necessary sprinkle of cynicism, of course – that what they are being told is genuine. And these three qualities – respect, explanatory skills and trust – will go a long way to ensuring a lengthy relationship.

Both parties must also recognise that things – commercial imperatives, external factors - will change over the lifetime of an outsourced call centre contract. The two parties must be willing to adapt, and amend the agreement if necessary, to reflect these new dynamics. Trusting each other is important in this regard – as the Outsourcing Center (US) reported in 2011, "mutual trust is the basis for the ability to restructure contracts, scope, and pricing models to align to the changed business case".

If you have any comments or thoughts on this article, please contact me at: *david_daly@mva-consulting.co.uk.*