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Inside Outsourcing™



Inside with: Craig Tobin, Executive Vice President, NewRoads

**Larry Janis' interview
with:
Craig Tobin,
Executive Vice President,
NewRoads**

NewRoads is a market-leading direct-to-customer channel provider, accelerating companies' growth through a fully integrated range of outsourced eCommerce, customer care, fulfillment, logistics, and IT services. NewRoads has a proven track record serving some of the world's best known brands such as American Eagle Outfitters, Godiva, Restoration Hardware and many others. The company combines operating scale, functional expertise, and Lean Six Sigma process excellence to deliver its clients and their consumers a better brand experience while eliminating unnecessary cost. NewRoads has an unparalleled commitment to customer service and focus on brand protection that translates into guaranteed results.

LJ: What is your view of the competitive landscape in BPO?

CT: With the continued globalization of the services supply chain, the BPO market can be broken down into three primary segments. There are essentially the big consulting firms and commercialized internal shared service organizations that manage large scale, global clients, a significant number of smaller to mid-size firms that serve the middle market, and finally an ever increasing number of BPO providers that focus in on a particular function or niche in the marketplace. These niche players are differentiating themselves with low cost value propositions that do not offer transformation capabilities. If focus is cost savings in near term, these niche players offer a strong value prop. However, when continuous improvement stagnates, clients seek alternatives.

The BPO space is very fragmented with no one provider owning more than 2% market share. The market is staged for consolidation, especially since niche process focused providers cannot sustain on their own as the market matures and more clients want broader, end to end deals.

From the Editor.

Welcome to our current issue!

Inside Outsourcing's goal is to provide you with articles of interest and with a forum for the exchange of information in this rapidly evolving industry.



Inside with: Craig Tobin, Executive Vice President, NewRoads

LJ: What are the most common misconceptions about BPO?

CT: There are several common misconceptions, with the most prevalent being that BPO equates to off-shoring and cost reductions. This is not necessarily the case. Today it is much more about “right-shoring”, essentially delivering what is the right solution for the client. It also isn’t always a decision that is driven by cost savings. Many companies looking at BPO as an opportunity to add incremental capabilities that they might not currently have and cannot afford the time and investment required to develop in-house. It also gives those companies the freedom to focus upon their core business and invest their resources in items that directly drive revenue growth.



LJ: What are the biggest challenges facing outsourcers?

CT: BPO provider’s biggest challenge is to continue to bring value added services that bring their clients value throughout the entire life-cycle of the relationship. Most outsourcers can create significant value in the initial engagement, but in long-term relationships it takes and significant dedication and investment in people, processes, and technology to stay ahead of the marketplace and continue to delight and add value to the relationships. That is

where many BPO providers fail – a lack of continuous improvement and bringing leading edge technologies to help drive their clients’ costs down. Best of breed outsourcers move up the value chain and become a trusted advisor as part of an overall long term strategic integrated solution.

Also, near term cost savings driven deals seek to commoditize the Direct to Customer space shortchanging the strategic value a BPO offering can bring to a client. Focusing on total value created and not just reduced cost to serve is critical for competitive advantage and optimized client value.

LJ: What are the top five reasons a firm should outsource?

CT: There are many benefits to outsourcing for companies today looking to grow and remain competitive in their market segment. Outsourcing can bring new capabilities to a firm that might not be able to invest quickly enough to develop internally. Outsourcing also has the traditional benefits of lowering cost through innovation and continuous process improvement that results in improving overall customer satisfaction. Strategically, outsourcing can help companies’ turn cost centers into profit centers by leveraging the BPO’s expertise to increase revenue streams. (continued on next page)



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Working capital can also be a critical factor to an outsourcing model. Many companies look to BPO companies to avoid the required cash to build the operations and facilities to support their customer base. Most BPO companies can also provide companies the ability to move from a fixed cost to a variable cost model, better aligning their revenue with costs. Finally, outsourcing can give companies access to enabling, cutting-edge technologies while avoiding the capital expenditures required for such upgrades in technological assets.

LJ: What role does technology play in the success of a BPO offering?

CT: Technology plays a critical role in nearly every BPO offering, and clients are come to demand the best of breed, and not bleeding edge solutions. In many cases, BPO's will have state-of-the-art enabling technologies that help drive process improvement through transformation. One of the primary advantages that outsourcers have is that they can leverage technology investments across multiple clients and thereby make staying on top of the latest advantages more affordable for their clients. The best of breed BPO firms continue to invest both people and working capital to remain on the leading edge in terms of both functionality and cost. It is the innovative tools that outsourcing firms can offer to clients that extend the functionality of their ERP investments and enable the targeted process optimization.



LJ: What has made NewRoads successful?

CT: NewRoads continues to be successful on many fronts, delivering our clients an excellent brand experience for their customers through a laser focus on process excellence and best-in-class technology solutions. NewRoads is a market-leading direct-to-customer channel provider, accelerating companies' growth through a fully integrated range of outsourced eCommerce, customer care, fulfillment, logistics, and IT services. We have a proven track record providing these services to some of the world's best known brands such as American Eagle Outfitters, Godiva, Restoration Hardware and many others. NewRoads combines operating scale, functional expertise, and Lean Six Sigma process excellence to deliver our clients and their consumers a better brand experience while eliminating unnecessary cost. Finally, we have an unparalleled commitment to customer service and focus on brand protection that translates into guaranteed contractual results for our clients. If a company is interested in the benefits that outsourcing can provide in the direct-to-customer space, we feel that we offer the best integrated solution for their needs and can unlock significant value for their shareholders.



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R&M Finds European Insurers More Positive on Outsourcing than U.S.

In a new addition to their offering? "Outsourcing in Insurance: Perspective 2006" - Dublin-based consultants Research and Markets concludes that, "despite recent strong results on both sides of the Atlantic, the majority of insurers continue to look to vendors to deliver IT and operational efficiencies rather than enable outright business growth highlighting the work still to be done in terms of achieving operational efficiency, in particular on the European side. "The new study covers both North America and Western Europe and provides forecasts for outsourcing growth in European and North American insurance.

R&M notes that "tier-1 institutions are significantly more open to using off shoring as a tool to improve infrastructure efficiency, with nearly a fifth of respondents indicating that sourcing is the primary means of creating an efficient IT infrastructure.

"European insurers are far more positive to the role of offshore and outsourcing in infrastructure efficiency than their North American counterparts. While overall results are very similar on both sides of the Atlantic, European insurers that consider sourcing to be an option have a greater tendency to rate sourcing a primary efficiency driver.

"BPO has been growing steadily in acceptance over recent years, with a greater proportion of insurers now using BPO than infrastructure or application outsourcing. BPO has particularly high acceptance in the insurance sector, where institutions have traditionally used more third-party sourcing in core business processes."

For more information go to: <http://www.researchandmarkets.com/reports/c32986>

"If at first you don't succeed, try, try again. Then quit. There's no point in being a damn fool about it."

W. C. Fields