

Groupon Case Study

CLEARLY CX.

How Groupon Saved Millions by Consolidating its Outsourced Customer Service Supplier Base

“Through our sourcing strategy work with COPC, we have achieved millions in cost savings, simplified our supplier network and created a vendor management structure focused on performance.”

Head of International Customer Service and Global Outsourcing

About Groupon

Groupon is an international leader specializing in local commerce. By leveraging the company's global relationships and scale, Groupon offers consumers all over the world a vast e-commerce marketplace of unbeatable bargains. Groupon provides local companies with customizable deal campaigns, credit card payment processing capabilities and point-of-sale solutions that help businesses grow and operate more effectively.

Challenge

With its rapid organic growth came unexpected challenges. Groupon's supplier base included 17 contact center suppliers across 20 sites, creating a host of management challenges. Cost issues and lack of consistency in performance, processes and technology began to take its toll. It didn't take long for Groupon to realize it had to consolidate its supplier base and implement a more structured approach to supplier management. To do this, the company turned to the outsourcing experts at COPC Inc.

Improved Results

- **Saved 29% annually** through cost reductions
- **Reduced suppliers and sites:**
 - Consolidated suppliers from 17 to 4
 - Reduced the number of sites from 20 to 5
- **Implemented consistent measurements and management** of the customer experience across multiple geographies
- **Minimized Groupon's risk:**
 - Based a significant portion of supplier compensation on performance
 - Contractually defined corrective actions for deficient supplier performance
 - Implemented flexible terms and conditions that were consistent with Groupon's dynamic business model

Project Summary

COPC Inc. used the following roadmap to put Groupon on the right path:

- **Developed Groupon's Global Outsourcing Strategy:**
 - Conducted an inventory of current insourced and outsourced operations across multiple departments and organizations
 - Determined customers and channels to be outsourced and insourced
 - Designed the business model and defined roles and responsibilities of Groupon and its suppliers
 - Established the optimal number of suppliers and locations
 - Developed a phased approach to consolidation
- **Defined Groupon's Requirements:** Gathered and established the business requirements for all stakeholders including operations, legal, purchasing, technology and finance
- **Issued Request for Proposal (RFP):** COPC Inc. incorporated Groupon's requirements into COPC Inc.'s RFP template. The RFP consisted of items such as:
 - Requirements for key business processes, including workforce management, recruiting, hiring, training and quality
 - A robust set of performance metrics and targets based on COPC Customer Experience (CX) Standard and benchmark performance levels
 - The required pricing and risk/reward models
 - A template for responses, enabling easier evaluations of the responses and ensuring consistent response formats
- **Reviewed Proposal Responses:** COPC Inc. established an objective scoring system to evaluate the RFPs. The joint Groupon and COPC Inc. team scored the proposals and reviewed the results.

• **Conducted Site Assessments**

Based on the results of the RFP reviews, the joint team conducted detailed site assessments of the top respondents. Items reviewed included:

- Historical performance results for similar client programs in the proposed sites
- Confirmation that the supplier implemented key business processes as described in the RFP responses

• **Completed Complex Negotiations and Made Final Selections**

Together, Groupon and COPC Inc. selected final candidates and entered into negotiations, choosing four suppliers. Final awards were based on pricing, operational capability and the need to minimize the number of sites and suppliers.

Implementing Change

The newly created contracts provided Groupon and its suppliers with the foundations for mutually beneficial relationships. COPC Inc. conducted a follow-up webinar and ongoing training to ensure Groupon staff understood how to manage to the terms and conditions in the new agreements.

“This course gave us a detailed overview of best practices for our department, illustrating the practical impact of theory we learned and how things should actually be done. ”

Groupon Staff - Training Participants



Benefits

By consolidating its supplier base and implementing improved contractual language and pricing models, Groupon achieved significant financial benefits:

- **Saved 29% annually through cost reductions**

Groupon also achieved many legal and operational benefits, all with a focus on driving performance and consistency through a centralized supplier governance model:

- **Consistent pricing models across suppliers** focused on performance
- **Strong financial motivators** to drive performance and quality
- **Robust agreements** with requirements for effective operational processes and performance requirements
- **Use of a common framework** between Groupon, suppliers and internal sites utilizing the COPC CX Standard
- **Metrics, targets and calculations** that are consistent across vended and internal sites

In summary, Groupon now has a structure to more efficiently manage its supplier network with lower costs, less risk and high levels of performance for its customers.

About COPC Inc.

COPC Inc. provides consulting, training, certification, benchmarking and research for operations supporting the customer experience. The company created the COPC Standards, a collection of performance management systems for customer experience operations, customer experience management, vendor management and procurement.

Founded in 1996, COPC Inc. began by helping call centers improve their performance. Today, the company is an innovative global leader that empowers organizations to optimize operations to deliver a superior service journey. COPC Inc. headquarters are in Winter Park, FL, U.S., with operations in Europe, the Middle East, Africa, Asia Pacific, Latin America, India and Japan. www.copc.com.