

Case Study: Saved Millions in Costs By Consolidating its Outsourced Customer Service Supplier Base

Groupon



“ 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 a global leader of local commerce. By leveraging the company's global relationships and scale, Groupon offers consumers a vast marketplace of unbeatable deals all over the world. Groupon provides merchants with customizable deal campaigns, credit card payment processing capabilities and point-of-sale solutions that help business grow and operate more effectively.

Challenge

Due to its fast organic growth, Groupon reached the point of having over 17 contact center suppliers across 20 sites. This created management challenges, cost issues and lack of consistency in performance, processes and technology. Groupon's goal was to consolidate its supplier base and implement a more structured approach for supplier management. To do this, the company turned to COPC Inc. to assist with this global sourcing effort.

Improvements

- Saved 29% annually through cost reductions
- Reduced suppliers and sites:
 - Suppliers were consolidated from 17 to 4
 - Sites were reduced from 20 to 5
- Implemented consistent measurements and management of the customer experience across multiple geographies
- Minimized Groupon's risk:
 - Significant portion of supplier compensation based on performance
 - Contractually defined corrective action for deficient supplier performance
 - Flexible terms and conditions are now consistent with Groupon's dynamic business model

Project Summary

COPC Inc. used the following approach to accomplish Groupon's objectives:

- **Developed Groupon's Global Outsourcing Strategy:**
 - Conducted an inventory of current insourced and outsourced operations across multiple departments and organizations
 - Determined customers and transaction types to be outsourced and insourced
 - Designed the business model, such as 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:** This included the business requirements of the Vendor Management Organization (VMO) and requirements from other stakeholders such as 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 the COPC Customer Experience (CX) Standard and benchmark performance levels taken from the COPC® SmartMarks database
 - 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:** A scoring system was established for review of the RFPs. Proposals were scored and the results were reviewed by the joint COPC Inc. and Groupon team.

- **Conducted Site Assessments:** Based on the results of the proposal reviews, site assessments of the top respondents were conducted. Items reviewed as part of the site assessments were:
 - Historical performance results for similar client programs in the proposed sites
 - Confirmation that key business processes were implemented as described in the RFP responses and resulted in successful performance
- **Completed Complex Negotiations and Made Final Selections:** Groupon and COPC Inc. selected final candidates and entered into negotiations, choosing four suppliers. Final awards were based on pricing, operational capability as determined by site assessments and the need to minimize number of sites and suppliers.

The training provided a baseline and common language for our team, with benchmarks and best practices which are very helpful.

Implementing Change

The agreements governing the new relationships provided Groupon and its suppliers with the foundation for mutually beneficial relationships. To ensure Groupon staff understood the significant terms and conditions of the new agreements and to provide the skills needed to manage to these new requirements, COPC Inc. conducted a follow up webinar and a dedicated 'training on the best practices found in the COPC CX Standard.

“ 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 vendor governance model:

- **Consistent pricing models across vendors**, 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 the vendor management organization, 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 that support 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 for the delivery of a superior service journey. COPC Inc. is headquartered in Winter Park, FL, U.S. and with operations in Europe, Middle East, Africa, Asia Pacific, Latin America, India and Japan. www.copc.com.

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