

US Economy Challenges Will Impact Outsourcing Vendors

Tough Times for Customer Support Outsourcers Focusing On US Business

The US economy is headed for a huge downturn now, being affected by the institutions loaning money to consumers and businesses. Past loan practices used for mortgages and business loans over the past several decades and precarious borrowing practices have created high risk on paybacks and loan fulfillment. Defaults to loans are massive and have created failures to the largest borrowing institutions in the US. Questionable loans for housing values are a key problem; however, business loans in general have also impacted the problem the US is realizing today. And with a problem with the US economy, so goes the global economy.

This financial problem affects US home owners as well as overall consumer and commercial purchases and will affect global businesses dependant on US end-users. Borrowing money will become difficult to most US consumers and businesses, thereby limiting spending and any economic growth. This will also affect dollars gained from customer support or customer service supporting products sold to US consumers and businesses. The original sources of this money for US buyers are in jeopardy. The US financial institutions of these funds are in trouble now. The problem will quickly escalate beyond the mortgage markets and will impact GDP in general. Unemployment will continue to rise (it's rising now) and cutbacks in business overall will be realized.

As this relates to business, we can expect to see major setbacks and downturns from business and a cascading affect on all actions and tactical executions from the business institutions' decisions on spending as a whole. This will heavily impact outsourcing as it's easier to displace a contract than an employee agreement in the US. Many companies will choose to perform the outsourcing tasks internally on a smaller scale, or hold off any new outsourcing dependent on growth strategies. As the economy in the US falters, outsourcing will deter. This puts on-shore, off-shore and near-shore outsourcers in jeopardy on existing and new contracts. We can expect a downturn in the global outsourcing business as a whole.

Outsourcing contracts are typically easier to dissolve then other labor intensive agreements. That puts outsourcers in an unstable position. With the US economy going into a recession (which is expected to be a long one), outsourcing contracts could be some of the first areas of cost reductions we see in this current scenario. New project development will be put on hold unless critical path to survival of a business. Customer service offerings will lose their importance with some companies and have a lower priority based on spending priorities.

Outsourcing contracts, both existing and new, may be at risk based on history and current events going on in the US. If we look at the most recent economic down turn in the US in 2001, outsourcing as a whole dropped dramatically. Even with outsourcing services evolving over the past 7 years, the basic value proposition is the same. Thus, we can expect a similar repeat action during this down turn. Outsourcing will be impacted.

What Outsourcers Can Do

Outsourcers' dependant on US customers can help themselves by ensuring their value over other alternatives is higher to accomplish the client's tasks. If you're taking care of customers for a US vendor, ensure you are doing it well and better than anyone else can do, and with the best ROI. Ensure your support is protecting your clients' business through revenue and profit. If you're building new systems or applications be sure the project is critical path to your customer's business. This is your main protection to a cancelation.

As an outsourcer, reach out to your US contact now. Ask about the US economic problem and how it's affecting them. Be a partner, be willing to do whatever it takes to assist in the challenges your customer is going through. Expect cost cutting measures and be willing and ready to volunteer what you can afford without jeopardizing your delivery abilities. Be assertive and don't wait for the cancelation call, which is highly possible if don't do anything proactive. This is a global problem as much as a US problem. As a simple metaphor, if a farmer is growing wheat in a leased field and the market is dropping on wheat, the farmer is at risk if the wheat market is falling. The land owner is also at risk if the farmer can't make money off the land he's leasing. Outsourcing is the same. If the customer of the outsourcer can't make or protect their money, then the outsourcer loses as well. This is the dilemma facing outsourcers over the next month and beyond.

Summary

The US economy is going to affect the global outsourcing market directly. If you are a vendor dependent on US consumers or commercial end-users, you are clearly going to be affected. In the early 2000's when the economy dropped, we saw a major drop in the outsourcing revenue and those dependent on on-shore, off-shore and near-shore services were seeing major losses in revenue and contracts.

Being proactive early on is key and sharing losses in business will be important in maintaining contracts with US based firms. Focusing on critical path projects and services for your customers is the best insurance to maintaining or growing new outsourcing business. Don't expect the US Government's "rescue plan" to resolve these issues immediately. Even with this rescue bailout plan, the US economy will take several years to recover, based on history. Depending on existing high performance and strong business relationships is the solution to surviving tough times ahead.

About the Author:

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