# INDUSTRY INSIGHTS

Every business has to determine whether they should perform a service themselves in-house or outsource that particular service to an outside vendor. Marketing and response management are just two of the services that can be performed either in-house or outsourced to a vendor.

The following graph shows the relationship between company size and potential need for outsourcing. As a company reaches 1,000-10,000 employees, the potential need for outsourcing drops dramatically. In organizations of this size, sufficient resources can usually be found in-house to perform a function, as well as having resources to handle backup coverage.
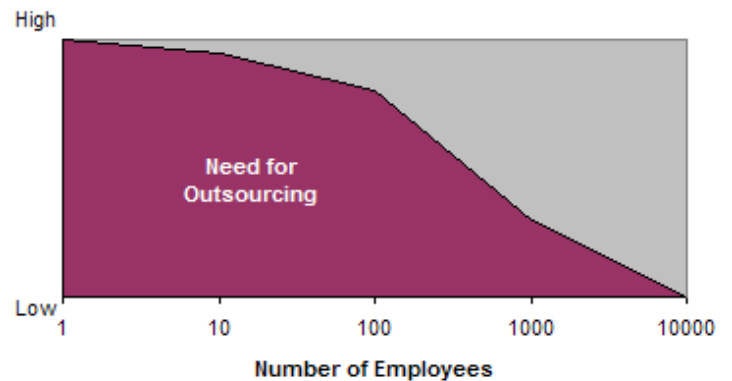
At first glance, it seems counterintuitive for a company to outsource highly-visible or important services. Once you look at all the things a company must do to handle a service in-house (and keep it running continuously), it becomes more evident why many companies choose outsourcing versus operating a service in-house. If a service is provided in-house, a company must:

- Locate a qualified employee
- Train the employee
- Pay employee wages and benefits
- Provide the employee a physical workspace
- Provide the required technology items (computer, phone, Internet access, copier, fax machine, etc.)
- Pay telecommunications costs (phone line, inbound toll-free calls)

Some services, for example Inbound Response Management, require continuous coverage and dedicated resource. This is required because responses are generated on a random basis by outside forces, rather than on an internal, controlled schedule. Services of this type would also require coverage during absences of the primary resource, such as:

- Scheduled vacations
- Unscheduled sick days
- Unscheduled Family leave
- Maternity leave

With outsourcing, the company must only:
- Locate a reliable and high-quality vendor
- Pay the vendor for the services provided

Cost Comparison - Inbound Response Management

This cost comparison is for a company that needs to handle 500 inbound responses monthly.

In-house		Outsourced	
Item	**Cost**	**Item**	**Cost**
Employee wages & benefits	$3,450	500 inbound responses ($3.50 each)	$1,750
Employee technology costs (computer lease)	$20		
Telecommunications costs	$175		
2 days backup coverage 1 vacation day / 1 sick day	$304		
Total Monthly Cost	**$3,949**	**Total Monthly Cost**	**$1,750**

For this scenario, the outsourcing solution saves over 55% or $2,199 per month.

In addition to the direct cost savings, the company no longer has to worry about increasing cost of employee benefits, employee turnover and replacement, or locating and training backup coverage.