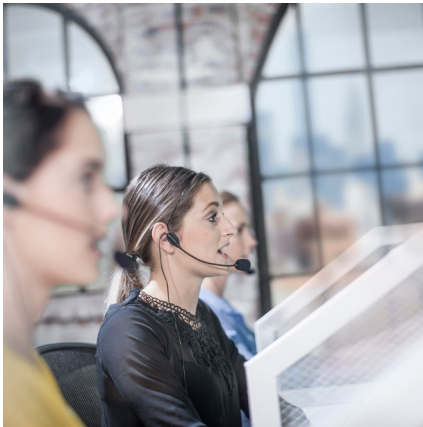


The Benefits of Bundling:

Back Office Software Systems and Operations Staffing



We've already seen agencies who went with an unbundled solution looking into going back to bundled. They were unable to gain efficiencies because the operations provider didn't know what the system could do.



Bundling encourages operational efficiencies, which means lower costs and better service.

While back-office systems and operational support staff are key factors in the success of a government agency, they seldom receive the recognition they deserve. When things are running smoothly, back-office systems and operations aren't usually acknowledged. But when there is an interruption in service – either originating from the system itself or with the operations staff interacting with the system – everyone from customers to management takes notice. To keep everything running smoothly and create a best-in-class end user experience, back-office optimization is critical and needs to be treated as such during procurement.

Government procurement strategies traditionally have a strong focus on cost reduction, productivity gains and optimal customer service. Implementing the best back-office system and operations may be achieved by bundling the contract, with the same provider for both. However, a recent trend toward unbundling contracts places the emphasis on reducing costs and increasing competition, but often lacks consideration on how it will impact customer service. True, cost effectiveness and superior customer service can be achieved separately, but with unbundled contracts it's much more difficult.

The bundled approach provides a single contract vehicle where the agency and contractor's concerns are unified and empirically measured by service level agreements (SLA's) creating a virtuous cycle. Agencies can optimize the back office, lower costs and keep the customer top of mind when the same contractor is responsible for both the back-office system and operation. In this paper, we will review the benefits that bundled contracts bring to agencies.

Defining the back office

Back-office operations are generally thought of twofold: software solutions that make a program, office or organization run (systems) and the people that interact with that system and interface with customers and the public (operations). Both back-office systems and operations are essential to an agency's success. Creating visibility into processes and performance in the back office can help organizations meet service level, productivity and quality goals.

In Electronic Toll Collection (ETC), for example, the back-office system is responsible for automatically processing a transaction to charge a customer's account or sending out a notice for payment due. In the event of a question or complaint from a customer, back-office operations staff is engaged for a resolution. Both parts – the system and the staff – are integrally connected but separate in their functionality.

Agencies can optimize the back office, lower costs and keep the customer top of mind when the same contractor is responsible for both the back-office system and operation.

Unbundled contracts drive up costs

The procurement process for government agencies is extensive and complicated. Consultants are often engaged to manage the process from the beginning with the creation of the request for proposal (RFP) through the end of the contract's life cycle. This includes RFP design, proposal evaluation, system creation, deployment, implementation and ongoing execution of the contract.

When the back-office system and operations are managed separately, there are two contracts. This doubles the amount of time required for consultant oversight, and that's not the only thing that doubles. Two contracts means two of almost everything: project managers, implementation and management teams, and different sets of milestones. Each contractor will add contingencies to address the uncertainties inherent in working with an unknown third party, driving up overall costs. There is also an added cost because each separate contractor has to account for the possibility that the scope may not include the "connective tissue" that enables the back-office system and operations to be smoothly integrated.

In addition to increased costs with contractors managing two contracts, unbundled contracts can also increase the overall cost of the system. There is an added expense of training an operations team on the system's functionality. Time is money and when valuable time must be spent training an operations team on the ins and outs of a system's functionality, costs will increase.

On the other hand, when the same contractor is responsible for both the system and the operations, no additional training is needed because everyone is already familiar with the system and protocols.

Added protection during development and implementation

Overwhelmingly, systems designed for government operations are customized with each agency's business rules, customer practices and state laws built into the system. Designing a customized system is complicated but the process is typically broken up with "milestones" that the design team must meet to keep deployment on schedule. When milestones aren't met a penalty is assigned to the contractor. When two contractors are involved, there are two times as many sources for delays because each company has its own team working towards its own milestones and goals. With single contracts, there is added protection from delays because one contractor and one team are working in a unified approach.

With two different sources for a delay, there is also a greater chance of a long, drawn out problem resolution with conflict between the two contractors regarding responsibility. Under one contract there is only one contractor so there isn't any question as to who is at fault and who must resolve the issue. It is simply taken care of and every effort is made by the contractor to make sure disruptions don't happen in the future.

Additionally, the transition from an incumbent system to a new system is a difficult process with just one contractor – and significantly more difficult with two contractors. In our ETC example, the transition to the new system must happen as quickly as possible so no statements or transactions are lost.

When agencies allow the providers to make the teaming decisions about systems and operations, they reap the benefits produced by a free market.



And to the toll paying public, it is imperative that the transition process be as seamless as possible. With two contractors, all three parties involved—the state, the system operators, and operations—need seamless, simultaneous coordination to avoid any negative impact to revenue collection or the user experience. by the contractor to make sure disruptions don't happen in the future.

Simplified programs

Much like the design and implementation phase, program management throughout the lifecycle of the contract is simplified with one contractor. Conversely, in the event of two contractors, problem resolution is more complex and takes longer to determine if the root cause is systems related or operations related. Agencies, or the consultants they hire, will have to mitigate and manage the relationship and communication between the two contractors.

In fact, service level agreements (SLAs) are more difficult to manage with two contractors and may need to be relaxed, which negatively impacts the customer satisfaction of the end users. For example, an operations team may indicate they aren't hitting key performance indicators due to system errors, creating a situation where the agency needs to investigate which contractor is really responsible.

Furthermore, facilitating ongoing improvements becomes much more difficult when having to coordinate changes (requirements, schedules, testing, etc.) between the system contractor and the operations contractor. When systems and operations are with the same contractor, improvements happen seamlessly because there is one project manager working towards a singular goal.

Better customer service

When customer service suffers, the effectiveness of a program falls into question. That's why best-in-class customer service should be at the heart of every decision. When systems and operations are under one contract, there is greater alignment between system features and customer preference. Feedback from customers is better communicated from operations to systems for needed changes and updates. With two contractors there is greater potential for system changes to be out of sync, resulting in inferior customer service.

There's a reason why Conduent is consistently listed on BenchmarkPortal's Top 100 Call Centers. Our operations and services are so tightly integrated that we're able to take advantage of the data collected in operations and constantly improve customer service.

For example, after analyzing customer service call data we were able to implement website design improvements that empowered the customer, reducing overall call volume to our customer service centers. It's in our best interest and yours to increase operational efficiencies wherever possible. These kinds of improvements wouldn't be as easy with an unbundled contract due to motivational differences between contractors.

Best-in-class is already possible

If the main goal of unbundling is to achieve a “best-in-class” system and “best-in-class” operations, agencies already have that flexibility. A bundled RFP does not preclude any individual supplier from the bid process; it’s open to all competitors.

Allowing the free market to decide what companies are “best-in-class” is the most efficient and effective way to achieve an exceptional tolling system. The idea of forcing two companies to work together who may have never worked together before introduces a learning curve and pain points that would not exist otherwise

When agencies allow the providers to make the teaming decisions about systems and operations, they reap the benefits produced by a free market. It’s nearly impossible to gain the same efficiencies with an unbundled approach as a bundled because neither supplier has a complete understanding of the other’s approach.

Traditional suppliers have been active in the tolling industry for decades. We understand the challenges, and are constantly learning and improving our processes. We would never intentionally select a supplier that didn’t uphold our high standards. Your agency can benefit from this experience.

Final thoughts

When contracts are unbundled, each contractor tends to focus on compliance with their particular contract, instead of providing the best possible level of service to the end user. By unbundling systems and operations contracts agencies seek the best of “a” and the best of “b” but don’t necessarily end up with the best of “c.” True best-in-class service comes from a free flowing connection between systems and operations. With one contract, there is one management staff with the same priority and a continual feedback loop between systems and operations to ensure an outstanding user experience is delivered in the most efficient manner possible.

Through decades of experience delivering the bundled approach to back-office systems and operations contracts, we have the knowledge and familiarity to maximize its full potential for an agency’s benefit.

When it comes to ETC, on average we process over \$5 billion in ETC transactions per year – that is over 50 percent of all the ETC transactions in the United States. We process more than 48 million video-based violations per year and our highly trained customer service representatives resolve over 12 million calls per year. Millions of transactions and calls help us to develop the best system and operations protocol that delivers outstanding service to customers.

Communication between the back office system and operations staff is a key element to providing best-in-class customer service.



Guided by our experience and measured in real-time, we're committed to steadily improving our products and services. Our commitment for the future is based on ensuring that agencies have the best cost-effective solutions they need to intelligently manage their changing operating environment.

The virtuous cycle created by the constant interaction between our platform system and operations staff is part and parcel of our services and enables the continual improvement of our system and processes. To forcibly unbundle this critical interaction removes a key element of success and knowledge and makes delivering the service much more difficult.

We are aware of the arguments in favor of the unbundled approach, and as you can tell, we disagree entirely with that perspective. We hope our voice will add to the discussion and ultimately lead to you making the best decision for your agency.

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