Amazon Case Study

SUMMARY

As part of our research into the future of South African CRM outsourcing Ovum had the chance to speak with Scott Sommers, Senior Site Leader of Amazon's centre in Cape Town.

CASE STUDY

Online retailer Amazon's customer service center in Cape Town, legislative capital of South Africa and provincial capital of the Western Cape, currently has hundreds of employees, with a goal of 1400 employees by end of 2012. Ovum spoke to the senior site leader, Scott Sommers, to find out more about the facility and Amazon's experiences of working in South Africa.

Amazon began delivering customer services from Cape Town in late 2010, but the company has been operating in the city for longer than that, having launched a software development center in Cape Town back in 2005. Continuing to operate out of the building that now also houses the customer service department, the development team currently employs dozens of developers, working on projects such as the building and management of Amazon's Elastic Compute Cloud (EC2), a web service that provides resizable compute capacity in the cloud.

From a customer services perspective, Amazon's Cape Town facility is a major delivery hub. From the center, the company provides a range of services, including:

All inbound customer service for the US, UK and German retail businesses;

Support for Amazon's Kindle e-reader for end-users in the US, UK and Germany, which includes both basic "how-to" assistance as well as more technical troubleshooting;

Support for the company's US digital business, including the MP3 store, Amazon's Cloud Drive and Cloud Player applications and the Kindle Fire tablet device.

All these services are provided by phone, email or live chat. In addition, Amazon has a team providing support, mainly via email, around online customer product reviews. This type of support is provided in five languages – German, French, Spanish, English and Italian. Finally, there is also support provided in French, German and English for authors looking to self-publish books on the Kindle or through Amazon subsidiary Createspace.

According to Scott Sommers, demand is greatest for English and German speakers, but there are other languages that they've been able to recruit for in smaller numbers such as French, Spanish, and Italian

Finding staff with the requisite languages skills is key for Amazon. On occasion, the company has partnered with foreign embassies and consulates in Cape Town in order to maintain the supply of workers with the requisite capabilities. Many of Amazon's German speakers are foreign nationals who have immigrated to South Africa, which can be an advantage as Sommers admitted to difficulties finding staff with German as a second language that have both strong written and verbal skills. Most employees delivering services in Spanish, Italian and French are second language speakers.

Sommers told Ovum that Amazon aims to empower its employees by trusting their judgment and giving them all the tools necessary to resolve the customer's issues themselves. The Amazon style of dealing with customers is less rigid than at many other companies (for example, there are no scripts for customer service representatives) and Sommers said that the company's South African staff tend to fit well into this ethos as they are generally easy to talk to. The company is also working with the government of the Western Cape (the province where Cape Town is located) and University of Cape Town to develop workforce skills.

Sommers believes that employee empowerment is one of the major reasons why the Cape Town facility has little absenteeism, with low attrition. It can also be seen as having contributed towards the creation of a burgeoning management level. In all, there have been over a dozen internal promotions to management level already within the team, over half of which are employees that attended the first training class at the facility in October 2010.

The most important aspect of technical support for Amazon is fluency – all agents need to have a clear understanding of how devices like the Kindle work, in order that they can be knowledgeable and confident when dealing with clients. Those employees providing higher level technical support

for Amazon devices are all given a Kindle of their own, so that they can become comfortable using it.

Sommers admitted that it had taken a little longer to build technical fluency in South Africa than in other locations, as the country as a whole is less technologically advanced than, for example, the US or the UK. The company has experienced issues around specific areas such as the digital streaming business, as many South Africans are unfamiliar with services of this type. Prior to joining Amazon, the computing skills of prospective employees are tested, although this tends to focus around basic navigation and familiarity with common programs.

Being a retail business, Amazon experiences surges in demand at certain times of the year, peaking in the fourth quarter. Therefore, it is important that the company's customer care facilities can scale up rapidly to meet the surge in demand, before scaling back once it begins to subside. In 2011, Amazon increased the number of employees in its Cape Town facility to 1,100 during the final three months of the year, and for the fourth quarter of 2012 it is planning to increase staffing levels to approximately 1,400. Most of the additional staff will join on a temporary basis, but some will stay on, and Amazon is adding hundreds of extra seats in its Cape Town office to cope with the expected growth in permanent staffing levels.

In addition, South Africa's location and climate means that Amazon's operations during the last crucial months of the year are not affected by the adverse weather conditions that can affect retail business during winter in the Northern hemisphere.

Over the course of the last two years, Amazon's customer service operation in Cape Town has faced a number of challenges. For instance, when the company was first setting up, the South African Home Affairs department was in the process of being reorganized, which led to significant bottlenecks with the handling of immigration applications. While things have improved since then, Amazon did have to hire an immigration specialist to manage that process.

Setting up a broadband network with the necessary bandwidth was also costly and, in addition, Amazon found that most internet service providers in South Africa lacked experience of installing the size of pipe required by Amazon (able to handle speeds of 100 megabits per second).

Finally, the nature of the work delivered from the Cape Town facility means that a number of employees will work unsociable hours, in order to ensure uninterrupted service to customers in the US. Currently, Amazon provides a door-to-door transportation service for employees working night shifts. Sommers told Ovum that the BPO industry in Cape Town would greatly benefit if reliable, safe public transportation were provided between the hours of 6pm and 6am. While he noted that this was being worked on by the government, it is an issue which will take a long time to fix.

APPENDIX

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Ovum Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at consulting@ovum.com.

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