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Outsourcing Remittance Operations Make or Buy Decision Outsourcing Remittance Operations Make or Buy Decision Reno municipality, a four-service utility located in Reno Colorado, provides electric, gas, water, and wastewater services to a community of 430, 000 residents. Its major work involves processing of a variety of payments by checks, credit card, electronic banking and via cash, means to its customers. Up to 49% of the utility payment is via electronic means, using bill pay services offered by the customers’ financial institutions, while the remaining 51% is done via a combination of check, credit card, and cash.
The municipality is seeking to outsource for a company to take over the utility payments processes in relation to its budgetary provisions by a competitive bidding process. After conducting a feasibility study of the costs savings by the company, it was found out that the company saves more by deciding to outsource than to insource these services. The benefits of outsourcing far outweigh those of insourcing, by up to $ 579, 523 in savings. These savings come from freeing up of municipality assets, savings from training the municipality’s own employees, improving core business functions due to reassignment of personnel and benefits from lease of excess space. There are various reasons as to why the municipality seeks to outsource for these services. Costs for upgrading maintenance of the new equipment and new technology are absorbed by the outsourced company, costs savings in paying the employees and utility and office space expenses, and improved customer services.
However, the municipality is faced with a number of risks if it decides to outsource for these services. Confidentiality of the municipality’s customers might be breached, the quality of services offered could reduce, and the company contracted could close suddenly as well as the municipality losing its control over the collection of scheduled payments.
The qualifying agency will take over the utility’s responsibility of processing payment data and convert it into billing statements that will be delivered the customers by the agency in a timely manner. The contracted agency will also be responsible for sending the billing statements to the customer by either electronic means by the use of emails, interactive website billing method, or by mailing hard copies of the bill statements to the customers. The agency will also track payments by the customers and reporting the customers who do not pay. Collection of payments from the customers will be done by the same agency, and will provide the municipality’s customer account database, also known as the “ Customer Information Systems” with the current and regular transmission of information on account remittances.
The agency will also have the responsibility of maintaining a customer service centre, which will be equipped with internet site and a live customer support telephone to answer billing support questions, new service requests, and resolving issues that might arise during the course of work or during emergency times. This service centre will be operational for 24 hours in day with at least one live representative in office at all times.
The contracted agency will have to avail the bills to the customer within two business days after receiving the billing data from the municipality. The agency will then provide the municipality with verification of payments received by the last day of the reporting cycle, which will base on calendar days, with the first day of the month being the day that the data will be provided by the municipality.
The performance standards requirement of the successful company is ensuring delivery of quality services to the customers, which the municipality will evaluate according to set rates. Payments to the company are set at 2% of the total revenues collected. However, in the event that the company underperforms, it risks a penalty of up to 25%, while an outstanding performance is set at 2% or at $ 50, 000. The terms and conditions of the contract will be provided to the qualifying agency on the award of the contract.