The Hidden Cost Of Cheap Coding

How a quality-focused initiative not only eliminated coding errors and reduced cycle time, but also dramatically lowered costs.

services

situation at a glance

- Top-20 Honomichi research company needed a new solution to code four million verbatim responses a year.

- Offshoring brought headline costs down, but quality suffered and too much corrective work was required.

- The true costs of an inefficient process became apparent after a cost-of-quality analysis.

- Ascribe implemented an outsourced coding solution with built-in quality assurance measures backed by an SLA.

- Production bottlenecks were eliminated, error rates fell sharply and coding costs were reduced by 65%.

challenge

For this top-20 Honomichl market research company the fundamental challenge was to stay ahead of a sustained growth in open-ended text, which had topped 4 million responses a year.

To avoid expanding in-house resources, the firm had outsourced a major part of its coding work to a low-cost offshore provider. Still, anticipated cost savings had not materialized. Satisfaction among researchers was low because the coding work was of poor quality.

The immediate challenge was to improve the quality and reliability of the coding work without increasing the cost base or without burdening internal researchers' time and involvement. The company approached Ascribe™ for a solution.

approach

Ascribe Services™ set out to address the challenge in two stages. First, the team analyzed workflow to quantify the problem and identify shortcomings. Ascribe Services completed its standard cost-of-quality analysis by conducting an in-depth audit of some representative projects and comparing these with thousands of projects Ascribe handles annually.

Problems identified – The research company had been attracted to the offshore solution by the promise of a standard cost of just $0.17 per coded verbatim comment – far lower than what it could achieve internally. However, Ascribe's cost-of-quality analysis uncovered an error rate of 35%, unveiling a spectrum of quality issues.

When Ascribe accounted for the unrecognized costs, such as coding rework, unallocated researchers' time, and lost revenue, the actual cost per verbatim was $1.13 per response coded – **almost five times higher than the quoted outsourced rate!** The offshore coders often missed the nuances of what customers were really saying. They also made much more blatant mistakes, resulting in miscategorization of many responses. This high error rate had a disproportionate effect on the team of internal coders, who were spending a majority of their time checking and reworking projects, leaving little time for high-value projects they were scheduled to complete.

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words to wisdom

To this point, the research company viewed coding as a low-level operational task – a commodity easily bought and sold. But Ascribe's analysis revealed a dysfunctional coding operation that was diminishing the research company's performance and potential future business.

The team made several recommendations and was prepared to move to the next stage, but the firm's senior management, upon seeing the findings, asked Ascribe to immediately put a solution in place.

solution

High labor costs ruled out bringing the operation back in-house, particularly because peaks and troughs in the workload, combined with the need for quick results, would require expensive spare capacity to cope with demand.

Instead, Ascribe developed an outsourced but strictly onshore service, using native speakers in the coding process. It built in transparent and rigorous quality control measures and offered a Service Level Agreement with a minimum 95% level of accuracy. Ascribe provided this within a variable cost model, determined by the volume of work processed, so that the research company was not paying for unused capacity.

A key component of the package was pro-active management and quality assurance, which was lacking in the previous arrangement. Bottom line: the work was provided at a realistic and sustainable unit price, eliminating errors and duplication, thereby minimizing internal effort and cost
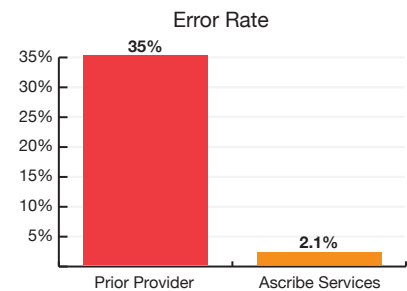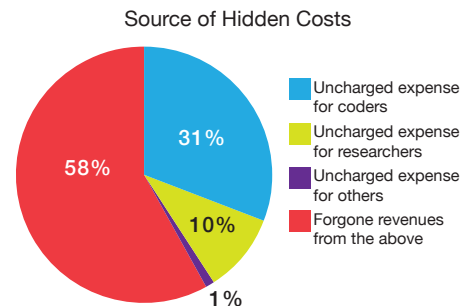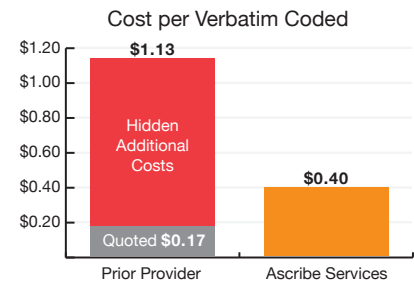
results

In its first year, Ascribe Services had eliminated all internal coding rework. The firm's researchers observed increased quality in insights and expressed confidence and satisfaction with the work delivered. The new solution:

- Reduced verbatim coding costs by 65%
- Generated actual savings of over $800,000 in the first year
- Transformed an error rate of 35% to accuracy levels that exceed 95%
- Provided richer insights, restoring researchers' confidence in coded data
- Reduced the time required to produce coded data
- Delivered all of this with a variable cost model sought by the company.

services

Ascribe Services™ enabled a leading market research firm to remove the hidden costs of poor quality verbatim coding

Cost per Verbatim Coded

	$1.13	
Hidden Additional Costs		$0.40
Quoted $0.17		
Prior Provider		Ascribe Services

(Y-axis: $1.20, $1.00, $0.80, $0.60, $0.40, $0.20)

Source of Hidden Costs

- 31% Uncharged expense for coders
- 10% Uncharged expense for researchers
- 1% Uncharged expense for others
- 58% Forgone revenues from the above

Error Rate

Prior Provider	Ascribe Services
35%	2.1%

(Y-axis: 35%, 30%, 25%, 20%, 15%, 10%, 5%)

about ascribe

Founded in 1999, Ascribe helps the world's largest market research firms, corporate researchers and customer experience professionals make confident decisions based on rich, real-time insights using a world-leading verbatim analytics platform. Ascribe's SaaS-based technologies enable accurate and fast analysis of verbatim comments regardless of channel or language.

*To learn more or request a demo, please visit **goascribe.com**.*