

White Paper

- August 2004 -

Improving Your Return on Investment

Financial Justification for Multi-Media Contact Centers

Executive Summary

Customer Call Centers throughout the world are experiencing unprecedented changes in the technologies they employ. The traditional Call Center's voice-only capability has expanded to include alternative, multi-media channels such as e-mail management and real-time Web Agents, thus making them "Contact" Centers. Leading companies recognize the need to accommodate customer preference while meeting their increasingly higher expectations for rapid response. These organizations have discovered that the implementation of comprehensive and unified customer interaction applications provide the solution needed to support these new customer requirements. Despite the rapid pace of technological change, many of the operational metrics used to manage the Contact Center are constant and apply equally to both old and new capabilities. Maximizing operational efficiencies, reducing costs and contributing to revenue goals remain primary objectives for today's Contact Centers.

Improving Contact Center operations is a daunting challenge as companies wrestle with disparate technologies, information integration and increasing labor costs, which, if not managed successfully, can lead to operational inefficiencies, higher costs and customer dissatisfaction. But the goal is clear – to remain focused on those applications and systems that provide seamless customer experiences, independent of the customer's chosen communication channel, while delivering a meaningful and measurable return on investment (ROI) for the company. This paper will explore these issues and highlight the solutions available to improve the quality of customer interactions while helping Contact Centers meet their operational objectives.

Introduction

According to Gartner Group, a leading industry researcher, companies that implement comprehensive multi-media solutions in their Contact Centers can expect in excess of 25 percent performance improvements in targeted interaction. Although Gartner estimates that only 20 percent of all Call Centers will have integrated live Web contacts or e-mail systems with their telephone-based agents by the end of 2002, this percentage is expected to grow to nearly 70 percent by the end of 2005. Clearly, we are past the early adoption-stage and many organizations are formulating plans for implementing multi-media solutions to achieve improved customer satisfaction and greater Contact Center success. Now more than ever, customers insist on conducting business anytime, anywhere and through any media. Providing a consistent and personalized experience across all forms of interactions – voice, email and Web – requires a new generation of customer interaction management solutions.

The quality of customer service may be the most dramatic way a company can differentiate itself from its competitors. The Contact Center is pivotal to reinforcing this differentiation and ensuring positive customer experiences, since it is one of the most frequently used channels for customer interaction. To realize a higher ROI from Contact Center solutions, managers need to know where to focus and how to optimize their activities. The most profitable outcomes will be derived from cost reductions due to increased productivity, as well as greater operational efficiencies from the use of comprehensive and open architecture solutions. Enhancing revenues is the third and perhaps most significant ROI metric. Contact Centers contribute to revenue improvements through the ability to offer new services, targeted cross-selling campaigns, increased reliability, and the strengthening of customer loyalty.

Criteria for Determining ROI

Hard versus Soft ROI

A return on investment calculation for a Contact Center, by its very nature, involves making comparisons. Comparing operational metrics before and after milestone events can indicate how well an enterprise is performing, and if significant improvements were realized. This places a greater need on capturing various operational metrics of the Contact Center such as:

- total transactions handled,
- average customer transaction time,
- revenue per agent,
- average customer wait time,
- customer abandonment rate.

These, along with other quantifiable metrics, are the gauges by which Contact Center managers determine the relative health of their operation. Data can be tracked over a period to identify trends and provide other indicators that assist Contact Center management in making appropriate adjustments to staffing, service levels and customer campaigns. They also provide a foundation for ROI calculations and establishing baseline metrics against which new systems and applications will be measured.

Some ROI metrics are more difficult to measure, owing to their subjective nature. An example is the customer's perceived quality of interaction with the Contact Center agent. A positive customer experience can significantly contribute to overall customer satisfaction levels, but is often difficult to quantify. Customer retention and acquisition depend on fast response and solving customers' issues quickly and accurately. Customer loyalty can have a profound impact on revenue levels – repeat business and the opportunity to sell additional goods and services to existing customers is always the preferred course. The challenge is to be sensitive to customers' perceptions and make appropriate corrections to ensure the company's goals are achieved. These are all examples of positive, though often intangible, returns that can be realized through

improvements in a Contact Center's operations and they should be considered in a comprehensive return on investment calculation. However, for our purposes we will require that quantifiable, tangible metrics bear the burden of supporting the return on investment calculation. If these measures support an impressive return, it can easily be asserted that the intangible benefits associated with the investment add further support to the argument.

Cost versus Revenue ROI

An increase in a company's profits is often realized through programs that focus on accelerating revenue growth. Once fixed costs are met, increased revenues flow quickly to the bottom line. Within the context of Contact Centers, this is often tied to capacity issues – the more customer transactions completed, the higher the revenue, i.e. the greater the number of contacts handled, the greater the revenue. But just adding more agents and greater system capacity may negatively impact the fixed costs of an operation with the payback period for such an investment extending well into the future. A better approach is to focus on cost reductions and improving operational efficiency. This provides a multi-purpose: a more efficient Contact Center can actually increase capacity (and accordingly, revenue levels), by:

- improving the percentage of contacts resolved with a single transaction,
- reducing the average talk time for voice calls,
- providing customers with choices for self-service or premium services.

One of the major advantages realized through the implementation of a comprehensive and unified multi-media Contact Center is the reduction of operational costs by improving the efficiency with which the Contact Center operates. This has a multiplier effect on profitability with the potential for increased revenues, while at the same time reducing the costs of each transaction.

Realizing ROI Through Reduced Costs

The industry average cost for completing a single customer transaction in a traditional, voice-only Malaysian Call Center is just over RM 3.00 per call. Given the thousands of calls handled each day by a typical Call Center, improving call handling efficiency and capacity are paramount to a successful operation. Call handling time is, in our view, the single most important metric. This is due to the influence it exerts on so many other Call Center measurements. Reducing the average call handling time means an increase in system capacity, since the same number of agents can handle more calls. The ability to handle more calls means that customers remain in queue for an agent for shorter periods and fewer customers abandon the queue before they can be served. In summary, the total cost of the customer transaction is reduced.

Generally, the goal of the Contact Center is to handle the call in the least amount of time that results in the optimal outcome for both the customer and the company- the golden rule of call handling, if you will. For return on investment calculations, these metrics are among the most available and accurate Contact Center indicators and can provide the most supportable arguments when analyzing ROI.

Many Contact Centers have evolved over time with the addition of targeted applications and systems that, through some level of integration, provide minimal interoperability among the various systems. These islands of technology are often based on disparate architectures and underlying operating systems and require individual administration. Changes in the version level of a single system may create a domino effect that compromises the entire Contact Center's operation. Obviously, this situation is not a model for either efficiency or reliability. Hidden costs can be significant as these multiple, disparate systems are far more difficult to manage and maintain, and create the potential for finger-pointing and reduced accountability due to multiple providers.

Positive contribution to ROI can be realized through systems that support a unified and comprehensive set of applications. An open architecture is key to allow new technology to be easily incorporated, thus providing enhanced capabilities and extending the effective life of the investment.

Reducing Costs Through Increased Productivity

Gains in productivity are now required for all companies to maintain their position in today's competitive markets. This is even more critical for companies supporting Contact Centers, where 70 percent (or more) of the costs are labor-related. Improvements in productivity can allow centers to maintain their customer service levels with less staff. They can increase the volume and quality of transactions without increasing staff. More choices are provided for customers, which translates directly to a more valued customer experience. The approach chosen by many leading companies is to implement true multi-media Contact Center, where significant returns on their investments are realized through the use of applications such as:

- Skills-based routing – preset routing of customer contact based on individual skill sets of agents for highest productivity and efficiency,
- Interactive Voice Response (IVR) – an automated unit that responds to caller-entered digits or speech recognition,
- Contact blending – providing various contact options for customers (e.g. voice + email),
- Quality monitoring – listening in on calls to evaluate quality of customer contact,
- Performance management,
- Well trained contact center staff.

Skills-Based Routing that Pays

Imagine you're managing a team of customer service representatives (CSRs), for a major catalog retailer. A customer e-mail comes into the center requesting information about shipping options for an order. The majority of the agents are trained to handle billing inquiries, however by the use of skills based routing capabilities, you are able to direct the e-mail to the next available CSR who is trained in product sales and possesses the skills to respond to e-mail requests. Incorporating a single routing engine with a common management interface enables the Contact Center to queue and distribute all forms of media.

In a multi-media Contact Center, skills-based routing capabilities are even more valuable because they match the best possible resource with every customer request efficiently across all media types. By routing customer requests to the appropriate agent the first time, Contact Center management will lower abandonment rates as well as shorten the time agents spend on each customer interaction. This enables an organization to achieve a high return on investment by simultaneously maximizing both customer service levels and agent/center productivity.

Proof Positive

Let's assume a Contact Center of 100 agents takes 100 calls a day, the percentage of all calls that are resolved during the initial contact is consistent with the industry average of 75.0 percent. This means that of the 10,000 average total calls handled per day, nearly 2,500 require a second call to resolve the customer's issue. For these additional calls we assign an industry standard cost of RM 3.00 per call. This translates to a monthly cost for the Call Center of approximately RM 225, 000. In most cases, the failure to resolve the customer's issues on the first contact is because the skill level of the CSR did not match the needs of the caller. Clearly, matching agents' skills with customer needs will have a positive effect on improving first-call resolution and the corresponding lowering of costs. We will choose a conservative improvement target of 5 percent for first call resolution, however many Call Centers experience a significantly higher improvement.

- 100 Agent Center with 100 calls / agent / day
- 75% of calls are resolved on first contact
- most of a repeat call RM 3.00= RM225,000 / month
- 5% improvement in first call resolution will yield a monthly saving of RM 45,000 or an annual saving of RM 540,000 annually

Companies that achieve greater first-call resolution success will, of course, see correspondingly larger savings as well as higher levels of customer satisfaction.

IVR Self-Service Pays Off

In today's self-service environment, offering an Interactive Voice Response (IVR) option is a "win-win" for both the company and its customers. Combining IVR capabilities with a universal queue can help optimize a Contact Center in two important ways. First, it can enable the customers to quickly seek and receive information or help without needing the services of a CSR – dramatically lowering the company's cost of the interaction. Second, it can be used to quickly extract critical information from the customer so that the CSR is better prepared to help, and the interaction is presumably shortened. An IVR can also be used to give the CSR advance customer identification and information in the form of a screen pop.

Proof Positive

Again, if a customer Contact Center with 100 agents handling 100 calls per day were to implement an IVR solution, managers could expect to convert at least 3 percent of total calls to IVR resolution (where the customer does not require the assistance of an agent). Assuming again the industry average cost of RM 3.00 per call for a CSR versus a RM0.30 average cost per call for IVR interactions, this single move would save the company RM 97,200 annually.

In addition, for calls routed to agents as a result of customer interaction with the IVR, screen pops can save the CSR a minimum of five seconds per call, or 18,333 total minutes saved per month for the Call Center.

Multi-Media Contact Blending Reduces Idle Time

Workforce planning and staffing costs are two of the biggest issues facing Contact Center managers. Staff a center with too many agents, and you run the risk of agents being idle, which decreases profitability. Staff with too few agents, and you may be overwhelmed with customers, resulting in high abandonment rates and a negative impact to customer satisfaction and sales. Multi-media contact blending is one way to significantly improve productivity, lower idle time and improve customer satisfaction.

In Contact Centers where separate systems are used to manage different types of interactions, such as voice and e-mail, individual agents connected to those separate systems can only handle that type of contact. And to cover peak demand times, each agent pool has to be staffed to maximum capacity.

Not only does that require more staff, but also at off-peak times when it is not so busy, you end up with idle agents who cannot cover each other's contacts, and cannot be given other tasks that use different media. Multi-media contact blending eliminates this problem, and allows all agents to handle all types of contacts. For example, when voice agents are idle due to lower calling volumes, they can work on responding to e-mail contacts. Similarly, when voice demand exceeds the capacity of the agent pool, the e-mail agents can be used to respond to voice calls. E-mail service is not affected, as contact response is not expected to be in real-time. The result is that fewer agents can handle the same Contact Center demand, and there are no idle agents at any time during the day – therefore dramatically improving agent productivity.

Proof Positive

In our Contact Center scenario it was necessary to have 100 CSRs to handle peak demand, which only occurs for 2 hours during the day. At other times there would be a varying number of idle agents. With multi-media blending, assume only 95 agents are required since e-mail agents are assigned to cover peak demand. Saving 5 agents for 4 hours per day at a cost of RM 10 per hour will yield an annual savings of RM 72,000.

Quality Monitoring Helps Managers

In a true multi-media Contact Center, managers have unprecedented access to monitor customer interactions of all kinds – voice, e-mail, and Web chat – through one system. For the first time, this gives management the ability to work with experienced, as well as new CSRs, to identify best practices and discover possible pitfalls in dealing with customers. By reducing the number of systems a manager needs to operate, and providing access to a single-queue multi-media system, a manager can spend more time training CSRs to be more productive.

Performance Management to Ensure High Standards

Contact Center performance management is a series of applications, tools and practices designed to capture all customer interactions, analyze them to understand customer intents and insights and then take actions to improve Contact Center quality and productivity as well as enterprise performance. At a tactical level, Contact Center performance management represents a series of measures and benchmarks that must be captured, tracked and reported to ensure that the Contact Center meets its departmental objectives, including delivering world-class customer service, increasing sales and improving customer loyalty while enhancing productivity.

From a strategic perspective, Contact Center performance management is a means of translating departmental objectives into KPIs that correlate with corporate goals. To stay aligned with corporate objectives, contact centers must develop KPIs for every staff group – agents, supervisors and management. Agent-level KPIs will include productivity measures, such as average talk time and first-call resolution rates, quality measures from agent quality monitoring and customer satisfaction survey ratings, sales and revenue goals for new and existing customers and customer retention goals. All of these measures are relevant on a stand-alone basis. However, when combined and acted upon on a timely basis, these performance measures will produce positive changes in CSR behavior that help the service organization meet its own performance objectives and the overall goals of the corporation.

Well Trained Staffs Make All the Difference

Properly implemented systems will provide a true multi-media contact center the ability to achieve organizational goals and targets. However, beyond all the technology employed lies the CSRs, Team Leaders and contact center Managers: the contact center staffs.

Well trained and knowledgeable staffs are quintessential in the successful operations of a contact center for there is no removing of the human essence in creating a memorable experience in all customer interactions. The training & development function of the staffs is one of the major focal areas of any contact center and is key for any customer-centric business model that focuses on customer lifetime value. The wide scope of skills required to complete successful first-call resolutions required for realization of a high ROI in a contact center need to be recognized by organizations. The proper development of

contact center staffs at all levels of operations is a key business driver that is leading the move toward enabling Contact Centers to more efficiently interact with their customers, regardless of the type of media.

Conclusion

Today things are changing in the Contact Center world. By abandoning the traditional Call Center model in favor of a unified multi-media Contact Center supported by a single human performance and technology partner, companies can see immediate improvements in productivity, lowered total cost of ownership and increased customer loyalty and service. These returns can be measured, and taken directly to the bottom line. Savvy management can turn to multi-media Contact Centers as a way to increase share holder value, market position and customer service levels.

Knowing that your organization's Contact Center is operating at full agent productivity, and that you have minimized costs associated with the technology solutions and services needed to run your Contact Center, leaves one of the most important ways to realize more return on your investment – growing and keeping loyal customers. Everyone knows that a “customer for life” is a good thing, but not everyone knows how to care for them.