



A Tipping Point for the Call Center

On-demand infrastructure changes all the rules. Call centers must chart new courses based on low cost and flexibility but new challenges abound as managers and agents seek the right mix.

September 2006

A Tipping Point for the Call Center

On-demand computing is taking the enterprise software industry by storm. In a few short years on-demand front office applications have gone from curiosity to defacto standards in areas like sales and marketing. Up to now, though, the call center has been slow to adopt on-demand technology and reap the many advantages associated with renting business applications rather than buying them. Perhaps one of the major reasons for this slower uptake has been the considerable investments that many organizations had already made in on-premise call center systems, but as those systems age, call center managers looking for ways to lower overhead costs are beginning to seriously consider changes.

Although lower costs have been a traditional calling card for on-demand computing, costs alone only tell part of the story. On-demand computing enables call centers to grow their businesses through innovation by reducing the risks involved with introducing new solutions or advancing into new markets. At the same time, some on-demand call center users are discovering the benefits of letting some agents work at home or other remote locations. This approach saves on real estate, commuting time, and related costs and it usually works well for all parties up to a point. Management challenges increase as agents disperse.

Call centers face an additional challenge as they search for ways to lower their overhead while maintaining high quality standards. Traditional management tools and techniques presume the agent and manager are co-located but as agents disperse from the call center, organizations must find effective ways to manage remote workers or risk inconsistencies that can result in dissatisfied customers and possible attrition.

Call center management is a complex issue involving motivation, disseminating information, testing, scheduling, and more. Advanced management technologies that complement on-demand infrastructure delivery, can help call center managers to remotely manage their staffs while enabling call centers to lower their costs; moreover, the combination can foster a more entrepreneurial posture for many call centers.

With call center infrastructure now available on-demand and with appropriate controls becoming available to manage remote agents better, the market appears to have arrived at a tipping point and on-demand call center solution adoption appears to be accelerating. This Beagle Research Group *Executive White Paper* focuses on the management challenges faced by call centers of all kinds and offers insight into how leading call centers are leveraging technology to both lower costs and enhance quality standards.

Tipping point drivers: economics, competition, and risk

Call centers are conservative and they do not change course easily—like steering a large ship. Call centers require time and good reasons to alter course. The reasons for conservatism are rooted in the infrastructure and the costs of that infrastructure to the organization. Expensive equipment must be fully depreciated or call center managers must have other convincing financial reasons for change before a call center can shift its technology investment. There are several major, compelling, reasons for call centers to consider changing their approaches to the market today and they are embedded in economics and

technology change, competition and labor, and risk—all are a result of the introduction of on-demand call center infrastructure.

These drivers—economics, competition, and risk—are always present in any market but at the moment they are highly concentrated and they are combining to trigger a major disruptive change; in other words a tipping point. Availability of low cost call center infrastructure through the on-demand model is changing the economic landscape, altering the relationships with competition and labor, and changing the risk equation.

Economics and technology change the on-demand call center

The call center is the most cost intensive part of the front office to build and staff. While the sales department has high labor costs—mostly from compensation—the call center has an equivalent or greater number of employees plus significant sunk costs in equipment. Depending on the organization, the call center might also employ several database, application, and computer and telephone specialists to keep the infrastructure working. In other cases, the call center may be completely reliant on the IT department for all of its technology support needs, including telephony infrastructure, application deployment, and maintenance programming. This situation is often far from ideal since IT has its own needs to contain costs and because IT must spread its limited resources across the entire enterprise. Call center managers can frequently find themselves in long queues waiting for IT resources which can frustrate ambitious plans.

The call center's high overhead costs have been more or less borne by the organization because there have been few alternatives, but with the advent of on-demand technologies, many are finding that they can peel back the layers of cost to arrive at leaner configurations to achieve their missions. As we will see below, low cost on-demand infrastructure also has a strong effect on labor and other costs.

On-demand call center solutions can move responsibility and control over solution implementation away from over-burdened IT departments to line of business units and managers who are directly responsible for call center results. By consolidating control of, and responsibility for, call center performance to line of business managers, many organizations find they are better able to meet market challenges which require quick decision-making and equally rapid technology deployments to take advantage of opportunities as they present themselves.

On-demand infrastructure is not simply a hardware option or an alternate delivery mechanism; it also provides the benefit of removing some of the labor and the associated overhead from managing a call center. Nevertheless, as important as the cost of labor is to any operation, reducing opportunity cost may be the most important economic aspect of on-demand call center infrastructure. Because on-demand solutions are available at any computer with a browser and an Internet connection, there is much less lag time between when a call center manager has an idea for a new service and its rollout. This immediacy gives new latitude to the way call centers operate and structure their businesses, ultimately driving greater competitiveness as we will see shortly.

Voice over Internet Protocol (VoIP)

After sunk costs and labor, one of the biggest costs to a call center is phone service and a small change of only pennies in the rates paid by call centers for phone service can have a dramatic impact on the bottom line. If an agent spends 6000 minutes on phone calls per month—assuming a 10,000 minute work-month—the difference between paying 6 cents per minute for conventional phone service and paying 2.5 cents per minute (or less) for Internet based phone service can add up to \$210 per agent per month or \$2520 per year.

Access to VoIP is not contingent on using on-demand call center infrastructure but it requires some technical input to set up. Many call centers using on-demand solutions find

the VoIP comes with the package—along with system management, and other IT services—and requires little additional effort to implement. Conventional call centers wishing to use VoIP often have to get approval from their IT departments and wait for IT assistance for the implementation.

Competition and Labor

From a competitiveness perspective, on-demand call center infrastructure (a.k.a. call center in a box) is a two edged sword. Lower operating costs benefit established call centers looking to reduce overhead and ubiquitous access makes it possible to use different labor models that can also drive down the cost of real estate. But lower operating costs also reduce barriers to entry for competition and increased competition exerts downward pressure on fees call centers can charge as well as those fees they pay.

As the cost of call center technology continues an inevitable downward trend, more organizations find themselves in position to afford to enter the call center market. Greater competition forces independent call center operators to look for more and better ways to differentiate their services and it forces in-house call centers to find new ways to justify their contributions to their organizations.

Low cost access to expensive equipment like auto-dialers means that larger, well capitalized call centers with high operating costs will increasingly find themselves on a level playing field going after the same business with upstart competitors using on-demand solutions. These competitors' costs are frequently lower enabling them to successfully edge out established players for new business.

The labor market

On-demand's ability to deliver call center infrastructure wherever there is Internet service makes it possible to position workers anywhere. This reality gives call center operators more flexibility in hiring and staffing and, over time, can reduce overhead costs due to reduced real estate needs. Some agents find they can work at home and be more productive eliminating their commute time and both parties like the flexibility they gain in scheduling overtime or filling in during perk periods.

But with the distribution of the labor force there comes a huge management challenge—how to ensure consistency and quality in the work product if the employee is not down the hall or on the floor. Call centers experimenting with lower cost models made possible by on-demand delivery must deal with this issue head-on or risk losing control of their service product.

The availability of on-demand call center infrastructure adds another competitive dimension to the competition between call center operators for available agent talent. Job flexibility, hours of operation, commute, and other factors must be reconsidered when agents are allowed to work at home. But working at home is far from a one-way street, on-demand call center infrastructure makes it possible for operators to multi-source their staffing requirements using any combination of traditional positions and remote agents, possibly in different time zones, to augment in-house staffs for peak periods or in follow-the-sun configurations.

In all, on-demand call center infrastructure provides significant benefits both to call centers and to their employees in the form of lower real estate costs, deferred or eliminated equipment costs, access to larger agent talent pools and more favorable working conditions. Achieving these benefits and others while maintaining or enhancing the quality of the work product is the unique management challenge that call center operators face today.

Risk

The benefits of on-demand call center infrastructure are numerous but they come with strings attached. At the same time, in a sector of the front office that has prospered by being last to change, the risk of change is being eclipsed by the risk of doing nothing. A new generation of infrastructure and business models, many driven by on-demand approaches, make it difficult for the highly centralized conventional call center to compete.

With the availability of low cost access to expensive equipment, through on-demand models, lower operating costs including rock bottom phone costs through VoIP, more competitors have emerged for both inbound and outbound calling which has driven down the fees call centers can charge. Commercial call center operators find that new technologies and business models enable low cost start-ups to out-compete them for business that many have historically counted on.

Finally, all call center operators are finding they need to find better strategies to source labor. Multi-sourcing or enabling some workers to work in a traditional setting while others work from home and still others work in other geographies is gaining popularity driven in part by CFO's looking to pare expenses. But serving agents remotely generates as many problems as it purports to solve, this time in the areas of hiring, training, and management. For all of the benefits that new paradigms, technologies, and business models can bring to the call center, if the labor management issues are not addressed the results will not matter because the call center will fail in its primary mission of serving the customer.

On-demand call center's unique management challenges

Given all of the pressures exerted on the call center today, it should be no surprise that many are facing some of the greatest management challenges they have ever experienced. Today's call center can be successfully compared to a modern manufacturing operation which carefully manages inputs and outputs to maintain quality. In manufacturing, whether one is dealing with the supply chain or with final assembly, the emphasis is on reducing variation so that the manufacturer can produce uniformly high quality products that can compete on a world class footing. The same is true in the call center.

It has taken a long time for manufacturers to fully adopt the statistical management techniques that enable high quality manufacturing. Early in the drive to improve product quality, manufacturers found that they could deliver better quality products through better inspection at the end of the manufacturing process. However, that approach simply culled the substandard products from distribution resulting in a large backlog of products needing rework. The solution to the rework problem was building quality in, not adding it on. Manufacturers learned the hard way that maintaining high standards in manufacturing requires that organizations build quality into products at every step in the manufacturing process.

There is a growing awareness in the call center industry that traditional tools that have their impacts after the fact of a call have become analogous to final inspection in manufacturing processes. However, because the call center's product is a service delivered in time there is no opportunity for rework, the service must be correct at the moment of delivery. In the call center, applications that retrospectively analyze calls and compare them to organizational metrics may have their place, but given the volume of calls, if managers cannot provide timely feedback to agents the quality chain is broken.

Strategies for call center business processes

The call center paradigm is changing. Technology helps project the call center infrastructure to be closer to the agent than ever before and management systems must follow or call center managers risk losing control of their product—the service process. For all of the

advantages in lower costs and lower risks associated with on-demand use, the business risk that call centers face is greater than ever.

There are three interlocking business processes that can better leverage the Internet and in so doing bring greater management controls—and less risk—to what is becoming a very distributed business: hiring and initial training, continuing training and communications, and coaching and performance management. On-demand call center management services can help call center managers leverage the Internet to maintain connection with their employees and thus take full advantage of the benefits that on-demand infrastructure delivers.

Hiring and initial training

Using on-demand technology greatly increases the available agent population from which to hire, if a call center is willing to let some agents work from home; however, it is still an expensive proposition for call centers to bring in the right people and to train them. Industry data shows an alarming 50 percent turnover rate for agents and anything that can be done to reduce attrition through better hiring and initial training practices would be a valuable tool in the effort to lower costs. Many other hidden costs to the business, like staffing a position with the wrong agent or inadequately training agents, all have their origins in the hiring process and can serve to reduce the quality of the call center's output thus robbing the call center of bottom line performance.

On-demand infrastructure makes it easier to hire and employ remote agents but the separation also adds complexity to the hiring process. Leveraging the Internet can reduce complexity of hiring and training and provide better and lower cost results than conventional hiring processes that rely heavily on manual interviews and testing.

For example, call centers can use Web sites to provide realistic previews or day-in-the-life scenarios for prospective agents. In the same manner, agent assessment tests can be given both to determine the candidate's fit with the business and to screen for skills that may enable the candidate to test out of some parts of initial training.

Testing increase the early identification of high quality applicants and gives the call center an advantage against its competition when hiring. Also, early diagnosis of strengths and weaknesses will provide for a more realistic and interesting training experience for the applicant and can actually shorten training time overall leading to earlier productivity and lower costs. In some cases, Internet based management systems claim a 20 percent reduction in initial training time.

With the screening process complete and the right individual in place the initial training process can be enhanced by using actual systems to simulate actual conditions, drive system adoption, as well as to perform post training evaluation before agents begin work.

Ongoing training and communications

Even the very best agents need to refresh their knowledge and skills from time to time and this requirement may be greater in an on-demand setting where individuals have less opportunity to interact with colleagues to share best practices. Acknowledging the need is one thing and finding the time to deal with it is another. Too often continuing training is seen strictly as a formal classroom-based event that is expensive to organize and administer but continuing training can be made to be low cost, fast, and effective.

Organizations that find fun, or at least innocuous, ways to impart information find that agents absorb it and retain it. Automation can provide important advantages in this regard by identifying the necessary content, delivering it, and testing to determine if it was absorbed. More importantly, automation can also help in identifying the best times for training breaks driven by call volume and the daily schedule of activities.

For example, some call centers have implemented strategies to share best practices in the form of a “tip of the day” automatically delivered to agent desktops. Others distribute best practice information in the form of a quiz not longer than a few questions with similar effects. Some organizations use the quiz to test retention of recently imparted concepts and, of course, many use a combination of these techniques. Agents who ace quizzes get bragging rights in the form of small prizes or simply an official acknowledgement on an internal Web site oriented toward agent needs.

A good agent management system will continually monitor activity and identify errors or deficiencies in agent practice, regardless of whether the agent is local or remote. Information gathered this way contributes a significant portion of the input needed to structure an individualized training plan for the agent. Management systems can then deliver specific training modules designed to meet the specific agent needs and schedule time for them to learn it.

Coaching and performance management

Retaining and motivating agents and helping them improve their performance are all areas where the modern call center falls down—just look at attrition rates. It’s not that the call centers want their agents to fail and leave, but most call centers say they need more time to do the job of coaching effectively. Motivating people is not exclusively a compensation issue; people need to feel valued and accountable. Too often without proper coaching, call center agents feel left a drift, they don’t get the information, encouragement, new techniques and ideas that refresh their understanding of their products, companies, and their jobs. No wonder attrition is so high.

Management automation for coaching is a step in the right direction for several reasons. Automation can identify areas for improvement in agent knowledge and technique and prescribe individualized resolutions. The same systems should be able to track follow on performance and determine the effectiveness of the solution and of the coach providing it. This is especially valuable in situations where agents are asked to sell as a regular part of their duties. Selling is an activity where even the best practitioners are continually upgrading their skills and the situation is no different for call center agents.

Lastly, with less manual effort involved in understanding where coaching is needed, supervisors have more time to actually coach. More coaching time creates a virtuous circle where coaching effectiveness improves and so does agent performance.

Analysis and conclusions

The call center has reached a tipping point driven by the demand for lower IT overhead, greater responsiveness to market opportunities, lower costs for customers, and the need to attract a larger group of potential agents.

On-demand call center infrastructure is the disruptive innovation driving the tipping point. At last there is ample technology and an adequate business model to enable call centers to off load much of their overhead to vendors specialized in providing the infrastructure.

However, infrastructure is only part of the solution and this tipping point also opens up new management challenges. As call center agents disperse from central locations to work at home or in other places where face-to-face communication is impossible, alternative management plans, driven by automation must take up the slack.

There are at least three areas of call center operations where Internet based management solutions can enhance productivity and outreach while lowering costs. These areas are hiring and initial training, continuing training and communications, and coaching and performance management.

Without some form of management automation we believe the on-demand call center infrastructure movement may stall. On-demand infrastructure would still be valuable for setting up call centers in other countries to support traditional centralized operations. Those operations would still be subject to the same management challenges contemporary centers see such as hiring the right people, training and motivating, making time to evaluate and coach and more. To fully take advantage of on-demand infrastructure, management technology is a necessity and we fully expect call centers to adopt it as they adopt other aspects of on-demand infrastructure.

Sponsored by Knowlagent
Headquartered in Atlanta, GA, Knowlagent offers solutions that encompass patented and next generation technology to help companies to manage both conventional and distributed call centers. Unlike call center management solutions that focus on call center efficiency, Knowlagent's methodology focuses on the requirements many organizations have for lowering costs through enlightened hiring, training, managing and coaching the call center's greatest asset, its people. Knowlagent's customers include many leading companies in banking and financial services as well as consumer products.

For more information contact Knowlagent at (678) 356-3500 or visit www.Knowlagent.com.

About Beagle Research Group

Beagle Research Group is a consulting and market research organization focused on emerging technologies and companies that will have an important impact on the way business is conducted in the years ahead. Our work is based on professional standards of quantitative and qualitative research which informs all of our publications.

Beagle Research Group, LLC

264 Greenbrook Drive
Stoughton, MA 02072
781-297-0066



www.beagleresearch.com