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How to Get More from Your Contact Center

By Keith Gilson and Deepak Khandelwal

Contact centers are essential to the marketing and customer care strategies of many businesses. Yet most contact centers don't maximize their usefulness.

No one can argue with the need to keep a firm grip on costs, but indiscriminately moving customer traffic to a company's Website or haphazardly outsourcing contact centers can make them less rather than more effective. The key is to develop a customer service strategy that successfully balances costs, revenue, and quality. Only then can you transform your contact center into a strategic asset that provides a competitive advantage and promotes growth.

Companies that get the most from their contact centers act on three imperatives. They define a customer service strategy that goes beyond merely providing good service at low cost. To deliver their strategy, they put in place an infrastructure that uses outsourcing and technology in a judicious way. And they ensure the best possible execution by their agents in all interactions with customers by investing time and money in coaching and in performance-management systems. These companies can reap big benefits: increasing revenue from call centers by 20%-35%, cutting costs by 15%-25%, and improving the quality of service.

Define a customer service strategy

Contact centers were born of a basic need: to answer customers' questions. In 1972, Continental Airlines asked the Rockwell Collins division of Rockwell International (now Rockwell Automation) to develop the first automated call distributor (ACD), thus launching the contact center industry. Initially little thought was given to the use of contact centers to acquire and retain business—they were there just to deal with inquiries. The change came in the 1990s, with the advent of software-based routing and customer relationship management (CRM) applications, which increased the marketing possibilities of contact centers.

Today all Fortune 500 companies have at least one contact center. They employ an average of 4,500 agents across their sites. More than $300 billion is spent annually on contact centers around the world. But many companies fail to gain maximum value from the call centers they use. To do so, they must first develop a customer service strategy.

Don't overmanage costs

Running contact centers is costly. But while creating a lean operation by improving efficiency is vital, an undue focus on curbing expenses and boosting efficiency could have unintended secondary effects. Conversely, a number of companies, particularly in the financial, telecommunications, cable TV, and Internet industries, have shown that contact centers can be a highly effective revenue-generating channel without requiring excessive increases in average handle time—that is, the time employees spend on the telephone with customers.

Executives closely monitor average handle time—essentially a measure of the agents' productivity. Yet one North American telecom company found that by emphasizing short handle times led agents to skip upselling and cross-selling, for fear of exceeding the recommended time per call. In addition, even though many agents had similar average handle times, revenue per call varied widely. This company responded by using targeted sales training and coaching to raise the overall performance of its agents to the levels of revenue per call and average handle times that its top people achieved. It found that improved revenue per call created two and a half times more value than the same level of improvement in average handle times, so that a 10% increase in the former could justify a 25% increase in the latter.

Integrate contact centers with the organization

Poor integration between contact centers and the rest of the organization can mean countless missed opportunities to drive sales and productivity. One travel-related company had more than 100 promotions aimed at a variety of customer segments, including members of auto clubs and frequent-flier programs. Contact center agents, however, were not adequately briefed on the components of each promotion or trained to sell them. Callers asking about the "Disneyland special" would find themselves put on hold for several minutes while the agent found out that they were referring to the Disneyland vacation package offered through one of the company's club associations. The best companies avoid such confusion by integrating their contact centers with important departments. Banks, for example, link centers closely with product lines such as credit cards and mortgages, thereby keeping agents fully informed on the latest offers and using immediate feedback to refine them. Banks also link contact centers with support resources, such as billing and the processing of payments, so that agents can answer questions quickly and know how to solve periodic billing glitches that might affect large numbers of customers.

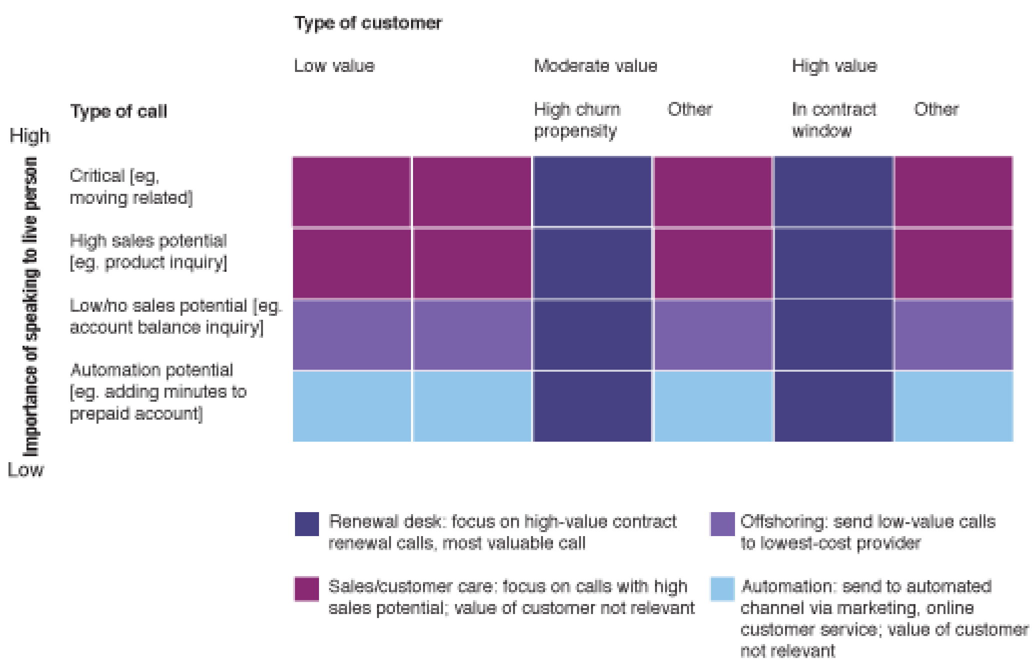
Segment customers

A sales call from a new customer is clearly more valuable than a routine billing inquiry. Successful companies therefore segment inbound calls and direct each to an appropriate agent. Sometimes this approach involves setting up a matrix—measuring on one axis the value of a customer segment (from low to high, through demographics or revenue generated) and on the other the value of each type of call. The result could be specialized queues for different customer segments or types of calls (sales, billing, service) or both (exhibit 1)

EXHIBIT 1

Calling for service

Segmentation strategy for inbound calls, telecom example



Companies using this and other tools at their disposal (including benchmarking their service performance against that of competitors and of service leaders in other industries) determine the right level of service for each segment and type of call.

In the telecom industry, this approach works particularly well with customers who move to new homes and call to set up services there. Such customers generally are open to new offerings—high-speed Internet access, for example. Indeed, our experience shows that during this first call, they order products and services accounting for 50%-70% of their lifetime value to the company. A North American telecom company, which understood such things, set up a special calling queue with agents who handle nothing but moving-related calls. That decision alone increased revenue from the contact center by 10%-15%

Choosing the right infrastructure
A strategy is only as good as the infrastructure that delivers it. Winning companies put in place an optimal network of contact centers, outsourcing when appropriate and using technology wisely.

Pause before outsourcing
To achieve this optimal network, a company must put its contact centers in the right geographic locations; offer consistent service, whatever the day or the time, with minimal disruptions from political, labor, or other factors; and maintain a scale sufficient to maximize the quality of service and to keep costs in line with revenue. In setting out to accomplish all of these goals, some companies think about outsourcing or offshoring—a hot topic among contact center executives and a contentious political issue in Europe and North America. Before you make such a move, however, you should answer some specific questions about your operations and aims in outsourcing.

First, look at your current contact center network and determine its best possible cost and revenue position. This analysis involves working out what the network would cost to run and how much revenue it would generate if it were operating at best practice. Such benchmarking helps in two ways: It can tell you whether staying inhouse and improving the operation would make more sense than outsourcing, and if outsourcing seems preferable it ensures that you understand your goals and don't leave money on the table when negotiating an outsourcing contract.

Before making the final decision, ask yourself several more questions about the value and complexity of your contact center interactions, your current capabilities, and how quickly you could implement an outsourcing arrangement. The relevance of these questions and the answers will vary according to your type of business

If you do decide to outsource a contact center, selecting the right partner and structuring a contract that achieves all of its objectives become crucial. A North American telecom company, hoping to cut its costs, entered into a multiyear contract to outsource its contact centers, but the cost reductions came at the expense of opportunities to generate revenue. The long-term contract didn't properly balance the company's cost, revenue, and quality objectives—to be sure, a difficult feat at the best of times. As a result of these misaligned objectives, the vendor looked after its own best interest rather than the company's. Considerable management attention was needed to address the problem, and eventually the partnership ended.

Use technology with care
Companies striving to improve their contact center operations should be skeptical of hardware and software vendors promising big returns from expensive new technologies and should concentrate instead on getting the basic technologies right. These include the channel platform (automated voice systems and call routing to agents), the agent desktops (the screens that agents view), operational-system linkages (for entering orders and scheduling installations), and workforce management software. The efficiency that the last of these systems can bring to the coordination of work schedules, vacations, breaks, and related matters in contact centers with more than 150 employees more than justifies the investment. Even smaller operations can now afford such software.

After the basic tools come technology investments targeted to specific needs, such as data feeds and the improvement of agent desktops. Companies should consider only cost-effective tools and determine which situations call for enhanced human intervention. But no matter how good the software is, many companies fail to exploit it fully. Often the problem lies not with the software but rather with the corporate rules that guide its use. A leading financial institution couldn't raise its agents' use of software tools to best-in-class levels until it discovered that inflexible staffing was the root of the difficulty. The company then employed more part-time workers and changed its human-resources policies on work schedules by adding new ones, including workweeks with four 10-hour shifts, split shifts, and staggered start times. Moves of this sort helped to increase the tools' utilization by 10% and saved the company $25 million a year.

Ensuring execution
Beyond having a clear strategy and a strong infrastructure, you should see to it that your contact centers execute consistently. Doing so requires making the right investments in people—by ensuring, for example, that agents receive effective coaching when they need it and by instituting performance-management systems embodying metrics and financial incentives that can encourage all employees to pull in the same direction.

Develop effective coaches
Of all the people necessary to extract value from a contact center, the frontline supervisor has the most important role: coaching agents. It isn't easy to be a good coach given the administrative burdens that go with the job. Then, too, coaching tends to receive less emphasis than it should. Companies commonly fail to give supervisors enough time on the floor to coach, for example, and supervisors often are responsible for too many agents.

Ideally supervisors should spend 70% of their time coaching, and the number of agents they monitor should reflect the team's role, so that, say, a general-service queue would be supported by a 1:18 coach-to-agent ratio, while a vital sales or support queue that needed more coaching would enjoy a 1:14 ratio. Coaches should combine side-by-side training with remote listening (in which the agent is unaware of being monitored) and should provide immediate feedback in both cases. The coach is also responsible for sharing best practices with agents.

In the experience of a North American telecom company, the more time supervisors spend on training, the more revenue per call their teams generate. The company therefore cut the number of compulsory meetings during peak hours and asked supervisors to carry out administrative tasks, including voice mail and e-mail, at the beginning and end of the day.

Of course, the quality of training is as crucial as the quantity. Supervisors must go beyond priming agents in elementary matters such as products (which they should already understand) and the use of systems and instead teach new skills: how to increase the efficiency of a call, to probe for the customer's needs, to close a sale. Successful companies make coaching skills a criterion for promotion to supervisor and invest in the brightest stars. Rather than offering only a short orientation session on how to coach, these companies put supervisors through role-playing exercises and show what an employee-development plan looks like and how to devise one.

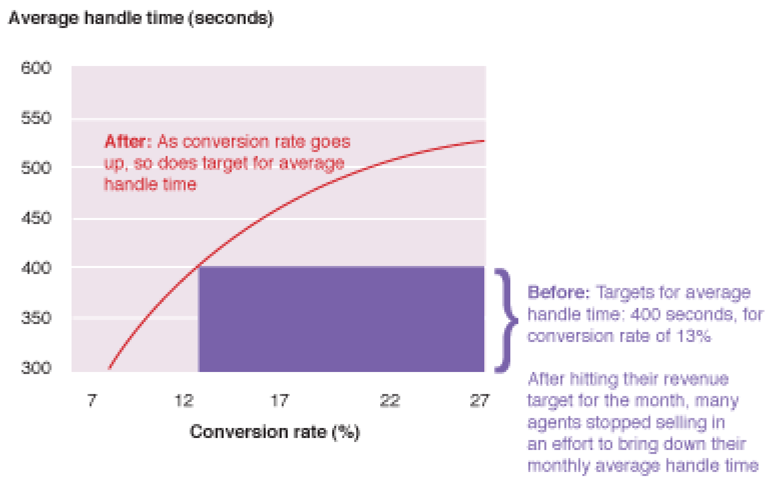
Manage performance
Sometimes performance-management programs can encourage the wrong kind of behavior. Using total revenue per month as a measure of sales performance, for example, can lead to "call churning," with the result that agents fail to extract full value from all customers.

The best policy is to strive for an integrated performance-management system that tracks the correct metrics—emphasizing costs, revenue, or quality, depending on corporate goals. You can use these metrics to hold your agents accountable on a daily basis, balancing your metrics to account for the fact that they sometimes influence one another. You should also ensure that the metrics are simple and easy to understand and link them to financial incentives that encourage consistent behavior all the way from senior management to the front line.

Balancing metrics and incentives can be tricky. A North American telecom company thought it had balanced its agent-incentive system by including metrics on costs, quality, and revenue. But the targets for each metric were independent of one another, so if agents exceeded their target in one, the targets for the rest remained unaffected. As a result, when agents hit their revenue target for the month, they would stop selling, in an effort to bring down their monthly average handle time. To curb this tendency, the company created a trade-off between conversion rates and handle times. As an agent's conversion rate went up, so did the average handle time target (exhibit 2).

EXHIBIT 4

Balancing the scorecard



Agents found the new scorecard to be fairer. Just as important, it had a negligible impact on overall handle time costs and removed a barrier to the company's goal of raising sales through the service channel by at least 50%.

Reduce employee turnover

In most contact centers, the turnover of agents is high. Often it is considered simply a cost of doing business. But with average attrition levels of 33% a year, and with the cost of hiring and training a new person averaging $15,000, attrition at even a small center of 200 agents could cost $1 million a year. Some turnover is to be expected given the often challenging nature of the job and the demographics of the workforce. Yet managing attrition actively will yield not only direct cost savings but also higher productivity from an increasingly experienced staff.

The highest rates of attrition come during the first year, often in the first few months. Executives tend to blame poor pay for high turnover—usually with reason. But as well as addressing pay, they need to motivate agents to stay by recognizing effort and offering good work conditions and career opportunities.

There is no quick way to create these conditions. Many things have to be done well across seven dimensions—recruitment; training and development; compensation incentives; career advancement; operations design;, site selection; and culture. Certain steps can help a company to ensure, quickly, that it hires the right candidates: requiring senior coaches to conduct interviews, using predictive models to develop agent profiles, recruiting through referrals (which have a lower attrition rate), and hiring only with the site director's approval.

As a result of attitudes stemming from the days when contact centers were considered little more than a cost to be minimized, they are among the most underused of all corporate assets. High-performing companies, though, understand the strategic value of a contact center. They define a customer service strategy that balances cost cutting with revenue generation, integrates the centers with the rest of the organization, and offers segmented service based on the value of each call. To realize this strategy, they use outsourcing and technology in appropriate ways to create a diversified infrastructure. And they ensure that agents perform well by giving them careful coaching and integrating the relevant performance metrics and incentives. Companies that have acted on these imperatives are already generating higher revenue and providing better service—at a lower cost.

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