

WHITE PAPER

51 WAYS

to reduce contact center costs



SITEL

Unlock Your
Customer Potential

INTRODUCTION

Are you searching for ways to reduce your contact center costs? Are you questioning the value associated with the delivery of your customer or technical support services? Do you know the fully loaded costs associated with your in-house or outsourced contact center solution? If these questions resonate through the halls of your company you are not alone.

Customers today expect increasingly higher levels of integrated support across a broader number of communication channels. Just ten years ago, a long distance consumer was content to call a toll-free number and speak to a Customer Service Professional (CSP) to address a billing question or activate a new service. Today, that same consumer expects a single bill for all his telecommunications services (voice, data, wireless), and similarly demands that your Web site, Interactive Voice Response (IVR), e-mail and CSP communication be completely integrated. How happy are you when you're asked to give your account number to the CSP after you have opted out of the IVR?

Suppliers of contact center services, whether in-house or outsourced, have responded to these demands by implementing increasingly complex solutions. The role of the contact center itself has changed. The contact center is today an instrumental part of a Customer Relationship Management (CRM) strategy. Despite the proliferation of CRM acronyms, (CRM, eCRM, ERM, PRM, XRM) one fundamental principle remains consistent: CRM is a business philosophy in which a company focuses its operations on and organizes around attracting, fulfilling and retaining high value customers. The contact center is indispensable to this mission. It exists as a hub, unifying the operational,

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Companies recognize today the positive correlation between customer satisfaction, loyalty and increased revenue.¹ However, they are still largely unable to predict it. Companies also recognize the value of adding enabling technologies; however, they still struggle to measure return on investment (ROI), let alone conclude it's positive. Customers-and more specifically the information on those customers-comprise potentially the most valuable assets a company owns. By capturing and utilizing this contact center knowledge more effectively, companies are capable of **unlocking customer potential**.

This paper assumes that you have determined the necessity of delivering customer support. It also assumes that today's economic climate has you addressing the pressure to decrease costs and increase revenue while simultaneously delivering increasingly higher levels of customer support. Therefore, this paper will highlight **51 ways** to reduce your contact center costs. Think of each way as an idea worthy of consideration and capable of standing on its own, yet part of an overall strategy addressing the optimal performance of your contact center. The paper segments this contact center review into five core areas: Strategy, Operations (people, process, and technology) and Financial.

Here are **51 ways** you may not have thought of:

Strategy: The design, implementation and management of a customer contact center comprise a strategic decision. There are currently more than 150,000 contact centers deployed around the world, forming an industry estimated to exceed \$200 billion annually. In the US, an estimated 3 percent of the population works in a contact center. In Europe, the estimated share is 1.6 percent.

1. Define Your Target Markets: Often taken for granted, the exercise of revisiting your target markets often yields valuable insights on the type of customer support you should provide from your contact center. There are numerous examples of companies that have made customer profiling a highly successful practice. A multi-national petroleum company defines six different segments for their customers who purchase gasoline. A world-leader in mobile communication focuses its customer support programs on only four of its eight defined market segments. The better you understand your target markets the more clearly you will understand their unique support requirements.

2. Evaluate the Sensitivity of Customer Support by Target Market: The targeting exercise may reveal that technology-savvy consumers are on average more knowledgeable and therefore less likely to require customer support. However, this only reveals a portion of the requirement. While it's accurate to predict that these customers may on average need little customer support, they may have a heightened level of sensitivity to the support they do require. A poor customer support experience may result in a dramatic reduction in loyalty and repeat revenue. This is particularly true of industries that sell mature products subject to commodity pricing. A good example is the long distance services market in which consumers routinely move from carrier to carrier. The objective is to define the support requirement as well as its sensitivity on customer satisfaction, loyalty and future revenue.

3. Make Strategy Your Primary Critical Success Factor: Most contact centers align their strategy with that of their clients. But only 1.8 percent indicated strategy was a primary success factor.² It should be the primary one. Virtually every CEO cites customer

service and satisfaction as “highly important” to the future success of the company. However, few companies can produce a document that articulates the role that the contact center, and its solutions, will play within a broader CRM strategy.

4. Align Programs and Site Capabilities: Many of today's centers mix inbound and outbound contacts across a variety of customer support programs. Ask yourself whether you have aligned the support programs with the capabilities of the contact center. For example, sites that are designed to field expensive inbound technical support calls are not suitable for outbound customer acquisition. The non-labor direct cost structure of telecommunications and facilities likely makes this site too expensive for outbound calling. This situation has most likely arisen in facilities in which programs have been added incrementally over time. Consider an audit of the program's requirements against the capabilities and cost structure of the facility delivering the program.

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5. Evaluate Center Locations: Plan on evaluating the following cost items at startup as well as ongoing: direct and indirect labor; telecommunications; facilities occupancy; and taxes. In the US and Europe, the fastest growth in contact centers is coming from tier two and three cities with populations between 100,000 and 1,000,000. Due to the strength of the US dollar, coupled with attractive labor rates, Canada has become attractive to service US customers. In many instances, it's advantageous to use an offshore or non-domestic solution. India is now a premier location for companies requiring well trained technical labor at rates 50 percent less than those in the US or UK. Advancements in Wide Area Networking (WAN) technologies and intelligent call routing have made many of these non-domestic solutions quite viable and indeed optimal.

6. Address the Myth of In-House or Outsource:

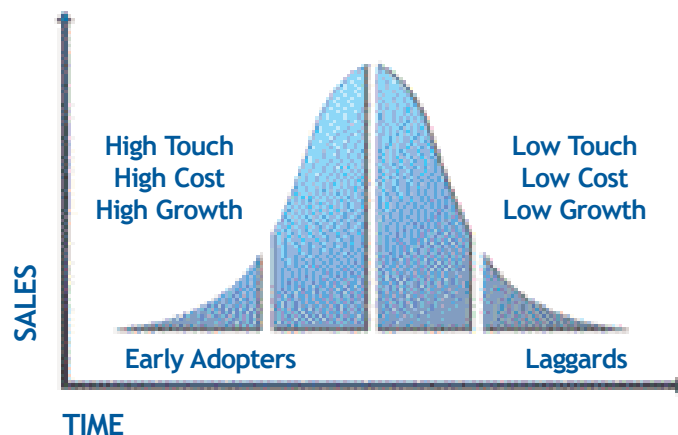
Many companies are under the impression that there are only two choices to the deployment of a contact center solution: in-house or outsource. This is a myth because an in-house solution requires enormous support from a myriad of partners, including networking, hardware, software and consultants to implement these solutions. Equally misleading is the notion that third party outsourcers do everything on their own. Any effective contact center solution is a collaborative effort between the client, the client's customers and the service providers chosen to participate. The number of permutations to these solutions is endless. Consider just a few:

- a. Outsource the people, training and process, retain the technology and the infrastructure.
- b. Outsource the technology and the infrastructure, retain the people, training and the process.
- c. Retain the infrastructure and technology assets, outsource the people, training, business process and management of the assets.
- d. Combine the people from the client and the outsourcer, re-define and jointly own the process, outsource just the platform dimensions of the technology.

Think of your solution as comprised of three layers (infrastructure, platform and services), each with its own selection of components. By breaking down the solution into a virtual bill of materials, you may expose opportunities to source components at a lower cost.

7. Turn a Cost Center into a Profit Center: This is being done today. There are many examples of companies who have identified opportunities to expand the role of the CSP from simply providing cost-based customer service to selling additional goods and services. This form of call blending is particularly evident in technical support solutions in which technology-savvy consumers are receptive to up-sells and cross-sells. In addition, any inbound technical support or customer care call is a tremendous opportunity to build trust and credibility, and in the process become the leverage point for added sales on the same call.

FIGURE 1. Product Lifecycle



8. Map Your Support Program to Your Product Lifecycle:

Every product has an associated lifecycle (introduction, growth, maturity, and decline). Jeffrey Moore depicted this quite well for technology products in his best-selling book, "Crossing the Chasm."³ The objective is to map the support requirements for each customer by product lifecycle stage. For example, early adopters who purchase products during the introduction stage, when margins are high, require a high-touch model because the product needs happy customers to accelerate sales. Conversely, laggards who purchase products late in the lifecycle, when margins are low, require a low-touch model because there is a body of knowledge on which to provide Web-based self-service or other automated support.

Operations-People: Notwithstanding recent advancements in technology, contact centers remain a people-driven business and the greatest way to build customer loyalty is to deliver superior people-based service. The telephone is still the preferred channel of communication for customers seeking support. This channel, though, is also the most expensive; the cost of labor in a contact center typically ranges between 60 percent and 80 percent of total direct costs.

9. Understand the Impact of Employee Retention:

The average cost to deploy a full-time CSP is approximately \$6,398 USD.⁴ This includes the estimated costs of advertising, recruiting, screening, interviewing,

selection and induction training. A well run site may have retention as high as 99 percent per month, a poorly run site may have retention as low as 80 percent per month. To highlight the difference between the two, refer to the table:

TABLE 1. USD

	Scenario 1 80%	Scenario 2 99%
# of CSPs	200	200
Average hourly wage	\$18.00	\$18.00
Average cost to deploy	\$6,398.00	\$6,398.00
Monthly retention	80%	99%
Monthly direct labor cost	\$624,000	\$624,000
Monthly turnover cost	\$255,920	\$12,796
Total monthly labor costs	\$879,920	\$636,796

A site that runs retention at 80 percent creates an annual turnover cost of slightly more than \$3 million while a site that runs retention at 99 percent creates an annual turnover cost of little more than \$150,000. This analysis also ignores the negative impact resulting from the poorer quality of support delivered to clients due to low retention. Unquestionably, well-trained, motivated and tenured employees deliver better customer service.

The message is clear. Do not ignore the effect that retention, training and total CSP deployment costs have on the cost-effectiveness and quality of delivery in your contact centers.

10. Ensure Accountability for CSP Retention Rests with Line Management: The management of retention in a contact center has the most significant impact on costs and profitability associated with any contact center. While your HR function will generally be engaged in working with you on determining retention strategy, it is crucial that all those responsible for managing your CSPs on a daily basis understand that they are accountable for retention. High performing companies in the contact center field set annual retention goals for CSPs, build plans, tools and other interven-

tions to ensure attainment of those goals, continually measure variance to plan and then cascade responsibility for those goals through the operational line.

Here are some ideas to improve your contact center employee cost structure. All of these concepts represent core components of a **Total Rewards Strategy**.

11. Understand the True Retention Drivers for CSPs: It is easy to guess at these, and make traditional tweaks to pay and benefits. Both have an immediate negative impact on gross profit margins, and generally do not deliver a sustained uplift in retention. Similarly, assumptions about what will make a difference to retention could result in costly mistakes and lost time. Total Rewards Optimization (TRO) analysis is key, and today's methodologies for getting at the real CSP retention drivers include conjoint analysis - an approach that utilizes a studied approach to the trade-offs employees in your organization are prepared to make in respect to aspects of the total rewards mix they value over others, and which will most influence their desire to stay with your organization.

12. Integrate HRM Strategy with Contact Center Strategy: On average, two-thirds of the operational cost of a center is in its people. For this reason, your contact center strategy must be fully integrated with your Human Resource Management (HRM) strategy. In fact, the managers of those centers should drive the HRM strategy for your contact centers. They need to embrace the HRM strategy as their strategy, and not something owned by the HR function. *If the recruiting, training, ongoing coaching and development of modestly paid employees performing generally repetitive tasks is not a core competency, bring in an expert.* It's probably the greatest benefit associated with outsourcing.

13. Define and Relate CSP Goals and Responsibilities to Business Objectives: Most CSPs can define what they do. They answer a phone, chat over the Web or send out e-mails. Not all are able to define the relationship between these activities and what the company or client is trying to accomplish. There is always a fundamental business objective associated with contact center

activity, and CSPs will be more productive when they understand how their role relates to the overall business objectives. Communicate these objectives regularly and consistently, ensuring line of sight for CSPs to the organization at large.

14. Invest in Team Manager Training: Numerous surveys and outplacement reviews corroborate that the most often cited reason for a CSP leaving is dissatisfaction with the quality of team management in their center. Usually managing a team of 10 to 15 CSPs, a front-line team manager exerts enormous influence over both the productivity and employee satisfaction of his or her unit. Many companies fail to recognize this influence and ignore the requirement for on-going team manager development. Others fall into the trap of assuming that their best CSP will make the best team manager, and in the process ignore the fact that managing a team requires a set of skills and competencies very different than those used as a CSP. Finally, with increasing pressure, team managers now find themselves with more direct reports than make sense. How many of you have more than 15 direct reports?

15. Create a visible Career Path: If your CSP employees see the upside of a contact center career, they will work with management to meet company goals. Create a documented program that is championed throughout the organization and bring it to life by giving it an identity that is reinforced everywhere. Creative career paths for CSPs include an emphasis on lateral (graded) career moves, as well as paths to other roles inside the organization.

16. Foster Employee Motivation with Regular Reward and Recognition: Once again, create a documented program that is championed throughout the organization and make it available to all levels of the organization. Encourage on-the-spot recognition for those employees who go above and beyond. Have quarterly winners by division where the operating unit executive makes a big deal of the nominee's successes.

17. Continuously Evaluate CSP Performance and Provide Feedback: For centers that monitor their CSPs,

the Average Speed of Answer (ASA) is reduced by 19 percent, average talk time decreases by 29 percent and time between calls is reduced threefold. In addition, seat your highest performers next to your lower performers; it won't drag down a high performer, but it will pull up a low performer. Research also shows that retention is greatest when a CSP understands how his or her performance relates to defined goals, call metrics and personal objectives. The more frequently a CSP receives recognition for a job well-done and constructive advice where improvement is needed, the greater the retention. Regular, structured feedback is a powerful CSP motivator and retention driver.

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18. Implement Appropriate Pay and Benefits Scales: Establish your pay and benefits positioning carefully, taking into account the Total Rewards approach adopted by everyone else with whom you are competing for talent at a local level. Invest in a Total Rewards Optimization study relevant to your organization if you need to. The money you save on retention will deliver a positive ROI.

19. Ensure an Employee-Friendly Physical Work Environment: Facilities including workstations, meeting areas, break areas and other common facilities should be clean with appropriate lighting and comfortable seating. Notice boards should be kept tidy, informative and up-to-date to ensure all employees have access to the latest company and contact center information. The importance of clean and tidy rest room facilities cannot be overstated, and obviously companies with their own or nearby cafeterias or other like amenities for their contact center staff have an advantage. If CSPs are not comfortable with their physical surroundings, they will be less efficient and more prone to leave.

20. Monitor and Analyze CSP Workload: While there are numerous ways to measure the productivity of a CSP, the objective is to identify the set of metrics which best measures performance against the center's

business objectives. Assess the workload impact of traditional metrics like number of calls, call minutes, average speed to answer and average handle time with more progressive metrics like adherence to schedules, routine variance analysis and customer satisfaction.

21. Leverage Employee Referrals: On average, seven applicants are screened for every one that is hired. Attracting new applicants requires creativity. Consider rewarding CSPs who refer their friends. You could consider a \$250 cash payment or entries in a drawing for a free trip to the Caribbean. Not only do you reduce your advertising costs, but employee referrals are significantly more likely to make it through training and be productive. Both developments reduce your total cost to deploy a new CSP.

22. Invest in CSP Training: The confidence of CSPs to answer questions, quickly research information or deal with a difficult call has a direct impact on the productivity and profitability of your contact center. Investment in training and development of CSPs is therefore crucial. High quality CSP training also allays internal stakeholder questions. The VP of Product Development asks, “Do they really understand my products.” The VP of Customer Support asks, “What if they don't understand our escalation procedures?”

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23. Measure Staff Loss During Initial Training: Just as a sales representative moves an opportunity through a funnel toward eventual closure, so should you move a new CSP hire through a pre-defined set of training stages, each building on the previous and necessarily preparing the employee for optimum performance in the live environment. By identifying where in the process CSPs are falling out, you will glean valuable data on your training effectiveness, quality of hiring

processes and quality of information provided to each new hire about the realities of the job.

24. Manage the Transition from Training to the Live Environment: Simultaneously train while exposing CSPs to a “live” environment. As an example, many CSPs do not encounter their first difficult call until they cut over and go live. While on-the-job training will always be necessary, it should not be an excuse for poor preparation. One way of smoothing the transition from the classroom to the contact center floor is by incorporating a transition environment in which CSPs listen to or observe live calls, shadow peers and otherwise test-drive the production environment.

25. Automate Training: Powered by the rapid adoption of the Internet, e-learning is among the fast growing disciplines worldwide. IDC predicts that by 2003 less than half of all IT related training will be delivered using conventional instructor-led classrooms and that the market will exceed \$10 billion annually. Education as we have known it is undergoing a fundamental paradigm shift. This creates enormous opportunities for contact center sites to automate the learning process for specific requirements and drive training costs down. Product training, knowledge transfer and skills integration exercises are particularly conducive to e-learning solutions.

26. Perform Regular Process Reviews: Long considered crucial to the automotive industry, time and motion analysis is equally relevant in a contact center. Consider for example the inefficiency associated with a CSP who is forced to navigate between four screens to perform a simple record update on a trouble ticket. Many companies have invested heavily in state-of-the-art customer service management or CRM applications only to find that the resulting trouble ticketing system collects required data at the expense of efficient CSP workflow. A well-designed customer service management system captures and reports against data without unnecessarily encumbering the efficiency of the user. Employees who are continually working around policies, processes and systems to satisfy the needs of their customers may have the best of intentions, but they will eventually deliver lower levels of productivity as a consequence.

27. Manage Absenteeism: Higher than normal absenteeism rates are characteristic of many contact center environments. The CSP front-line role can be repetitive and often difficult. Where little reward or recognition is provided to a CSP, workarounds are common, retention is low, absence rates are driven up and consequently productivity, customer satisfaction and profitability are negatively impacted. It is important to monitor unscheduled absence rates, study what is causing them, and put absence management strategies in place. Team managers and operations managers must take on this accountability as part of their day-to-day HRM responsibilities.

Operations-Process: A fully integrated, multi-channel contact center running on a worldwide network can be an extremely sophisticated business solution. Achieving optimal efficiency requires a documented set of processes and performance metrics that are regularly reviewed.

28. Monitor Performance Metrics: At the heart of any efficiently run contact center is a system which produces key performance indicators (KPIs). It's important to highlight that the selection of the specific metrics is less important than the rigorous adherence to the processes that ensure these metrics are regularly reviewed and acted upon. Here is a sample list of KPI candidates:

- a. Contact volumes by channel by period of time
- b. Average Speed to Answer (ASA)
- c. Average Handle Time (AHT)
- d. Average Time to Resolution (applies to service requests)
- e. Abandonment Rate
- f. Average Contact Value (for revenue generating centers)
- g. Average Contact Cost (for non-revenue generating centers)
- h. Contacts per CSP
- i. Contact time per CSP
- j. First Call Resolution

- k. Customer Satisfaction (accomplished via the contact or survey)
- l. Service level performance (compared to SLA)
- m. Logged-in hours vs. paid hours vs. billed hours
- n. Actual versus forecast (this applies to virtually any metric)
- o. Customer satisfaction or loyalty index

29. Make Reporting Real-Time: Companies which implement rigorous, regular performance analysis may still have sub-optimal centers because the nature of their contacts requires real-time reporting. This is particularly true for centers that face dramatic, random call volume swings. Weekly or daily reporting may be insufficient to respond to these dynamics. Numerous software products are available to publish the metrics from Performance Analysis directly to the Web or to a wireless device. If you can get stock quotes every 20 minutes on your pager, you can be notified that your contact center just experienced an unexpected 50 percent call surge. This level of notification allows you to manage workflow more effectively.

30. Document Processes: Many companies have chosen to pursue ISO 9001 or similar certifications for their contact center operations. ISO, for example, is based simply on “Say what you do, and do what you say.” The program instills a discipline that requires the development of and adherence to documented processes. A process cannot possibly be under control unless you can identify when it's out of control. The performance of activities, and the review of their KPIs, determines whether or not the process is in control. A well documented process is also the framework for effective CSP training and transition to production.

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31. Benchmark: Striving to implement a well managed contact center that creates high levels of customer satisfaction and loyalty should be viewed as a journey and not as a destination. This is because all of the components that make up the solution are dynamically undergoing change, and it's impossible to innovate all of them simultaneously. Therefore, one of the ways of maintaining an optimized contact center is to benchmark its performance against others. This will reveal whether recent advancements in technology, process management or training have escaped you. Many consulting firms will for a fee perform regular benchmarking or performance audits. Others, like the SITEL Consulting Index or BenchmarkPortal.com (sponsored by Purdue University), will deliver key benchmark measures at no charge.

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32. Consider a FT/PT Split: In order to adequately handle volume swings, a mix of full-time and part-time employees is required. The optimal mix needs to be determined on the basis of predictive call volumes and program requirements. The part time mix may be as low as 5 percent to as high as 40 percent. By varying the pay and incentive structure you can ensure availability and competency in each group.

33. Review Consolidation Options: Many larger companies have over the years built as many as 70 contact centers. They came on line slowly, each built in a market deemed at the time to be ideal for labor, telecommunications, facilities and taxes. However, networking technologies, like Virtual Private Networking (VPN), skills-based call routing, Voice Over IP (VOIP), IVR and Web enabled applications, now mean that a CSP can be anywhere and the same technology platform used for all sites. This creates enormous potential economies of scale by consolidating sites, services and technologies.

The most successful consolidation efforts begin with a consulting engagement to explore the feasibility and predicted cost savings. Make sure you engage a partner that has actually done it before; this is a major undertaking.

34. Are You Over-Delivering? The most efficient contact centers deliver optimized performance, not maximized performance. More than semantics, this distinction suggests that it's not wise to answer 90 percent of calls in 10 seconds (90/10) if the customer's contract, SLA or expectation is 80 percent of calls in 20 seconds (80/20). If this is the case, reduce your headcount, save the direct labor cost, and lower your performance to the target level.

35. Involve the Contact Center in the Business Planning Process: Contact center general managers are often the last to know about a new product launch, recall or Web site update that results in a 50 percent call surge. If you're on the business side, include these GMs in the planning process; if you're on the contact center side, ask to be included. Not only is this type of collaborative effort more productive, but it also avoids downstream surprises.

36. Eliminate overtime: It sounds obvious, but many centers still pay millions of dollars annually in overtime due to poor forecasting and workforce management. Invest whatever level of time and money is required to eliminate overtime. It is impossible to run a cost effective contact center that pays as little as 5 percent of its direct hours in overtime.

37. Focus on CSP Proficiency: Surveys reveal that customers would rather wait longer to get a more knowledgeable CSP. Consider the following:

- a. Create “job specific” teams that perform repetitive functions and develop expertise. This yields higher productivity than a large team of generalists.
- b. Cross train high performers in multiple areas, allowing them to handle rollover calls from other teams.

Operations - Technology: In many respects, the contact center industry is ground zero for advancements in technology. Smarter telephone switches, computer telephony integration (CTI), robust CRM applications, VPN networks, and VOIP are all examples of technology solutions, in one form or another, that are in use today in virtually all contact centers.

38. Consider Workforce Management: We have already ascertained that direct labor costs are your most important cost. Therefore, a well-implemented workforce management tool can yield enormous productivity improvements and cost reductions. These systems complement the Automatic Call Distribution (ACD), which processes calls by forecasting and optimizing staffing schedules to minimize costs. If your contact center has more than 50 CSPs with overlapping schedules, you're a strong candidate for this technology. You can only get so far with a manual spreadsheet.

39. Develop an Available Agent Strategy: Calls have historically been routed to the CSP who has been idle the longest using queue list progression. Recent smart-routing solutions, like CentreVu from AVAYA Communications, allow calls to route based on CSP occupancy or work time. This creates a more equitable workload balance as well as predictable improvements in ASA and other performance metrics. This strategy ensures that calls are routed to the "freshest" CSP.

40. Leverage Knowledge Management: Knowledge Management (KM) is very different than information or data management. An effective knowledge management system relies on information from multiple sources, but retrieves and presents that information such that it is of value to a CSP in the resolution of service request. The use of KM tools is most effective in technical support solutions associated with early lifecycle product releases. This is because a new product lacks a body of knowledge from which to draw when providing support. The use of a KM tool in this instance accelerates the learning curve by dynamically pro-

viding knowledge to every CSP. This in turn improves first call resolution rates and reduces average handle time by delivering the correct answer the first time.

41. Develop a Call Avoidance Strategy: Costing between \$4 and \$8 per contact, a live CSP delivering support is the most expensive channel a customer can select. Numerous technologies, many now considered mature, are available to minimize live CSP time to when it's most needed. They include IVR, Web self-service, Web chat and e-mail, to name a few. This strategy needs to integrate with the earlier discussed assessment of your target markets and customer support requirements. However, a poorly thought out or implemented solution may drive your customers to an inexpensive Web solution that lowers costs at the expense of satisfaction and loyalty. The following is a look at some technology choices:

“ A center that moves 25 percent of its calls from voice to IVR saves approximately 18 percent in direct labor; a center that moves 25 percent of its calls to IVR and another 25 percent to Web self-service saves almost 40 percent. ”

42. IVR: Costing on average \$1 to \$1.50 per contact, voice response technology has evolved considerably over the last several years. For customers in the retail banking and airline industries, it's expected that a large volume of support will be delivered in this fashion. IVR is the consumer's unattended link to your database system. More recent advances include speech recognition as well as text-to-speech, allowing companies more complicated responses than simple database queries.

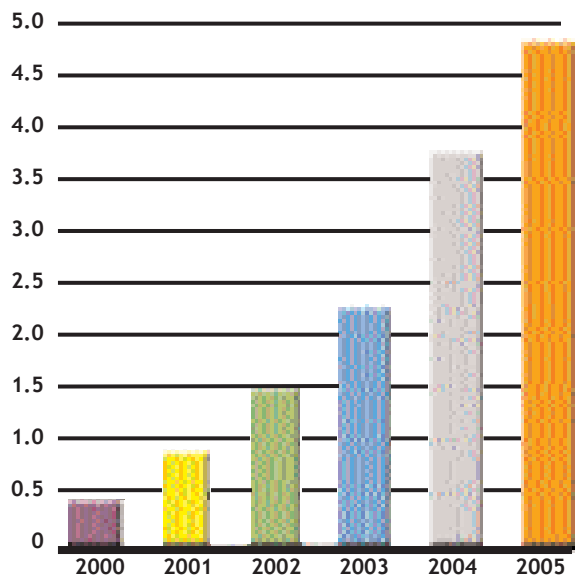
43. Web Self-Service: Costing on average between 5 and 30 cents per contact, Web based self-service is an ideal method of dramatically reducing costs. These solutions include content-based resolution, automated diagnostics

and healing, as well as chat rooms. Content-based services allow for end users to perform self-service by accessing and searching FAQs and other knowledgebase content. Intended for technical support, automated diagnostics utilize software to ascertain settings and configurations of an end user's system. Increasingly popular is the use of company-designed chat rooms where customers may electronically congregate to share best practices. These solutions are ideal for Internet-friendly customers who need around-the-clock technical or product-related support. This solution is best used to complement other available channels.

44. Web Chat: Web chat solutions typically cost slightly less per contact than traditional voice service. Web chat now includes proactive chat, in which the system detects and initiates the contact, as well as reactive chat, in which the user initiates the contact. One large advantage that Web chat has over voice is that these

FIGURE 2. Projected number of web-enabled call center seats (in millions)

Source: Ovum

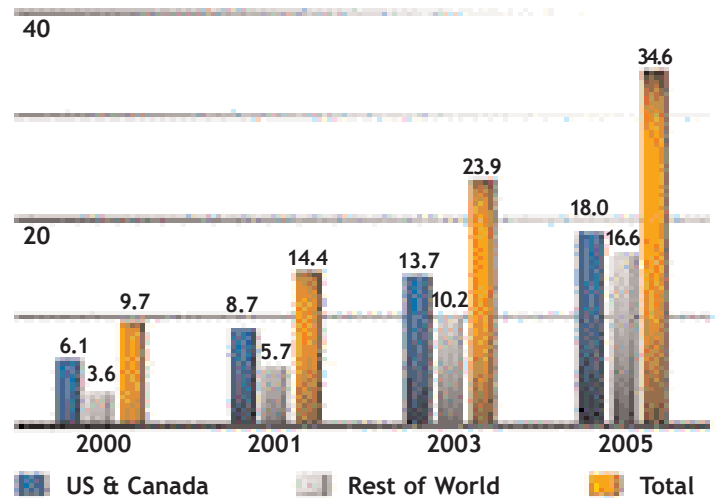


solutions can be moved to offshore markets, like India, where highly trained CSPs can provide outstanding technical support over the Web. Many companies are opting to keep their voice-based services in countries of the native language, but selecting less expensive offshore markets for Web chat.

45. E-mail: According to research by eMarketer, Inc., e-mail usage is expected to increase significantly over the next several years. E-mail costs vary greatly by program based on the number of times that the CSP and

FIGURE 3. E-mails sent per day worldwide and in North America (2000-2005) in billions

Source: International Data Corp., 2000



customer need to exchange information. Per contact costs range as low as \$2.50 to as high as \$40. This has driven demand for intelligent e-mail systems, which now offer auto response capabilities as well as scripted response capabilities. The former automatically replies to the e-mail based on subject content; the latter allows a CSP to research and respond rapidly based on subject content.

To highlight the financial impact that a call avoidance strategy can have on the cost structure of a contact consider, consider the following: A center that moves 25 percent of its calls from voice to IVR saves approximately 18 percent in direct labor; a center that moves 25 percent of its calls to IVR and another 25 percent to Web self-service saves almost 40 percent. Companies that still rely on fax communication and postage mail (\$25 - \$30 per contact) will see even more dramatic savings.

46. Review Speed of Connection vs. Size of Pipe: Most companies assume that bandwidth will resolve

most application performance issues. If that state-of-the-art customer service management (CSM) system you just implemented is slow for your European and Asia Pacific users, do not immediately assume that greater levels of bandwidth will solve the problem. Most of these systems still rely on client server technology in which the client makes applications calls to the database to retrieve data. The fattest pipe out there isn't going to shorten the distance between users in Asia Pacific and data in California. One well-known CSM application requires 200 cycles between client and server just to log in. This has accelerated the movement of these applications to being fully Web enabled and therefore accessible through a browser requiring little client overhead.

Financial and Legal: There are a variety of approaches by which a company can employ financial or legal management strategies to reduce their contact center costs. This includes cost avoidance, cost deferral and gain sharing as well as contract definitions. Most of these recommendations pertain to the estimated 12 percent of revenue allocated to outsourcing some or all of their contact center needs.

47. Consider an XSP Solution: First came the Application Service Provider (ASP) model, then the Business Solution Provider (BSP) model, and more recently the Vertical Service Provider (VSP) model. IDC now generically refers to these and similar service provider models as XSP solutions. Though still in their infancy, these models can be financially attractive. An XSP contact center solution can be based on a level payment stream over the life of the contract, allowing the client to avoid expensive start-up costs while holding a vendor accountable to an SLA. However, similar to leasing a car, at the end of the term all you have to show for your investment is your data.

48. Consider Gain-Sharing Contracts: In this case, the outsourcing provider has a financial incentive to drive down the cost of services to the customer by giving the provider an opportunity to share in the savings. The provider might, for example, receive 50 percent of the first year's savings for any improvements that reduce

client costs. Similarly, the client may want to arm the service provider with the ability to up-sell and cross-sell various client products to customers. The service provider receives a portion of the gross profit earned under this arrangement. Other examples of gain-sharing contracts⁵:

- a. Compensation tied to achieving production quotas
- b. 50/50 split of cost savings or cost overruns
- c. Jointly created new revenue sources
- d. Payments based on percent of cost saving produced
- e. Provider's profits tied to specific performance targets
- f. Client receives revenue credits based on helping providers develop new business

49. Consider a Sale-Leaseback Arrangement: A contact center sale-leaseback arrangement involves the sale of contact center assets to a purchaser who then leases the contact center assets back to the seller under an overall outsourcing contract. This may result in lease payments under the contract being deductible for income tax purposes, whereas that portion of the mortgage payments on owned real estate attributable to amortization would not be.

50. Select the Best Contract Term: Many companies mistakenly believe that shorter contracts are always more beneficial, that they offer more flexibility in the relationship. While a short contract (12 months) with annual renewals offers the buyer the flexibility of switching providers if things go poorly, any well-written contract allows for termination when it comes to poor performance anyway. Therefore, if you outsource you should select a con-

“ Many companies mistakenly believe that shorter contracts are always more beneficial, that they offer more flexibility in the relationship. ”

tract term (36+ months) that allows for the definition, implementation and ongoing optimization of a strategic relationship.

51. Implement a Total Cost of Ownership (TCO)

Approach: The objective here is to know by customer the TCO, accounting for revenue generated as well as the direct cost to support. This is challenging because revenue is generally contained in an ERP system while support costs are generally contained in a CRM or CSM system. If your system architecture permits the analysis, you may find that your downstream support costs overwhelm the gross profit generated upstream. Or, you may find that you are milking (and possibly ignoring) cash cow customers who are quite profitable.

Each of these suggestions offers the possibility of delivering anywhere from a small to a large amount of contact center cost savings. While any one idea may provide some short-term savings, the effort to optimize the performance of your contact center is best undertaken within the context of a program with regular reviews of all the components of the solution or the center.

If you would like to discuss how any of these ideas can be applied to your contact center, please contact:

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END NOTES

- ¹ For a more detailed look at this relationship, refer to “Why Satisfied Customers Defect,” Jones, Thomas O. and Sasser, W. Earl, Harvard Business Review, November-December 1995.
- ² Purdue Benchmark Research September 1999 - March 2001.
- ³ Moore, Jeffrey, “Crossing the Chasm,” Harper Collins, 1991.
- ⁴ Ibid.
- ⁵ “Moving Forward: Pricing Models That Share Gains,” Corbett & Associates.

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SITEL, the world's leading contact center expert, empowers companies to grow by optimizing contact center performance and unlocking customer potential. SITEL designs, implements and operates multi-channel contact centers to enhance company performance and growth. SITEL manages more than 1.5 million customer contacts per day via the telephone, Web, e-mail, fax and traditional mail. Over 24,000 SITEL employees operate from 72 contact centers in 19 countries, offering services in 25 languages and dialects. Please visit SITEL's Website at www.sitel.com for further information.

