

When Defense Becomes Offense

By Stephen B. Ferber

This case study shows why hourly rate is just a starting point when choosing an outsourced contact center provider.

Too often the ultimate cost justification when choosing an outsourced contact center provider is based on the almighty agent hourly rate. There is no disputing that the most significant ongoing expense of any call center operation is tied to the cost of the agent. However, the question remains: Is the hourly rate the be-all and end-all with respect to your outsourcing decisions and the ability to meet or beat your budget, increase your company's revenues, decrease expenses and ultimately add value or dollars to the bottom line?

"Cheeks in Seats" Providers

In its purest form, any outsourced contact center provider should be able to deliver, at a minimum, the same efficiency and quality of service as if it worked under the client's roof, supervision and management. Of course, ongoing communications and calibrations between the client and outsourced provider are an extremely important part of the vendor-client relationship.

What value does an outsourced provider deliver to its clients by meeting the minimum requirements? It saves the client from having to invest



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money in the infrastructure required to build a new call center or add additional capacity, as well as the headache of having to manage all of those functions in house. It frees up the client so it can focus on its core business.

In a nutshell, the value the outsourced provider brings to the table in this scenario is one of convenience and variable cost. In essence, the outsourcer may say, "I have the space, resources and seats, tell me what I need to do and I will do it for you. Why take on this additional infrastructure yourself when I have it, and you can rent it based on how much you use?"

For some clients, that is exactly what they want and need. They need an outsourced provider who can simply hold the line for them and be the least expensive option. This allows the client flexibility to increase or decrease staff based on fluctuating call volume and enables them to avoid initial or additional capital investments to create that additional capacity.

There is an absolute need for outsourced providers that deliver services based only on this premise. Clients who need outsourced providers to play this role have no reason to make any apologies for it either. At its core, this is the type of contact center work that sits squarely in the middle of the commoditized part of our industry.

Strategic Partner Providers

A value-added service provider formulates solutions that do not simply respond to a client's instructions, RFP or scope requirements. The provider also includes effective and unique training and coaching methodologies, technology solutions that drive operating efficiencies, as well as other approaches grounded in experience that go beyond the minimum requirements of a client's inquiry.

A value-added provider will delve into additional ways to have a positive impact on the client's business, including understanding what keeps the client up at night and taking pride in being able to lower client invoices over time by

continuous performance improvement and delivering a higher quality customer experience.

The bottom line is that a value-added provider lives up to what outsourcing is all about in the most comprehensive way, and is capable of a taking a true hand-off from a client with minimal supervision, while enhancing the company's performance.

Increasing Net Income/Margin

We all want to earn money for our company, whether we were placed on the offense or defense of our organization. Consider the offense of a company to be those roles primarily charged with bringing in revenue, such as sales and marketing. For the most part, managing the call center or customer service function of a business is considered to be defense, or a role involved with a primary mission of expense control or reduction.

But business is not like football where you play on one side of the ball or the other. Too often, our leaders promote this mindset, which also can stifle our thought process by driving one-dimensional thinking. Don't give in! Business is more like basketball or soccer, where the most effective players are those who, despite their classification as offense (revenue producers) or defense (expense reducers), understand and implement a practice of playing both sides of the ball equally well. Ideally, that means making decisions and running operations with a balanced approach and respect for both sides of the income statement and balance sheet.

Fig. 1

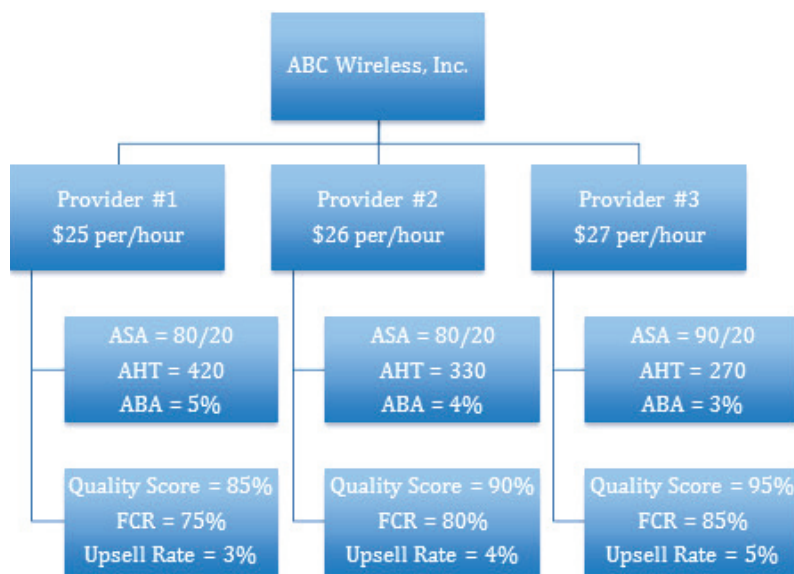
ASA (average speed of answer)	Percentage of calls answered within a defined amount of time (for example, an ASA of 80/20 = 80% of calls answered in 20 seconds)
AHT (average handle time)	Average number of seconds agents are spending on each call handled
ABA (abandonment rate)	The percentage of callers who hang up while on hold before an agent is able to service them
Quality Score	Score of 0-100%, based on a balanced scorecard grading system created by the vendor and provider to properly measure the quality of agents in relation to providing what is deemed to be exceptional customer service at 90% or more
FCR (first call resolution)	The percentage of customer callers who have their issue resolved, or reason for calling, on their initial calls into the provider
Upsell Rate	Percentage of total calls where a new or upgraded handset is sold

Case Study

ABC Wireless is outsourcing inbound customer service and tier 1 technical support calls for wireless telephone handsets to three providers. Each call may represent an opportunity to sell the customer a new or upgraded handset at a charge of \$100. The hours of operation are Monday – Friday, 9 a.m. to 5 p.m. Eastern. Each provider receives 8,000 calls a day evenly distributed throughout the day and week. Provider 1 charges \$25 per agent hour, Provider 2 charges \$26 and Provider 3 charges \$27.

ABC Wireless measures the three vendors’ performance based on the following key performance indicators (KPIs) on a monthly basis. See Fig. 1.

So, how did the three outsourced providers perform this month? Where is ABC Wireless getting the most value? Does the hourly rate matter?



Is the Hourly Rate the Be-All and End-All?

Imagine if Provider 3 was asked by potential client, ABC Wireless: How much would you charge to provide about 100 agents handling inbound customer service for our company? Can you beat \$25 per hour?

Provider 3 would say, “No, we probably can’t be at the same rate you’re paying now, but we should sit down and discuss the details about the nature of the work and what you’re trying to accomplish.”

Despite Provider 3’s answer, ABC Wireless agrees to meet and discuss. Here’s what it would discover:

- Only 85 agents are required to efficiently handle ABC’s call volume with Provider 3’s operational management and technology.
- Although Provider 3 charges \$27 per agent hour, versus ABC’s current outsourced Provider 1 at \$25 per hour, ABC will save more than \$70,000 per month.
- Provider 3 will improve ABC’s first call resolution, which will have the financial impact of reducing future call volume.
- The quality of the customer service and overall customer experience Provider 3 delivers will lead to less customer churn and more loyalty and retention.
- Provider 3 will increase the ABC’s revenues by \$320,000 per month by beating Provider 1’s upsell rate by two percentage points.

An increase of \$320,000 in monthly revenues with a decrease of \$70,000 per month in expenses will add \$390,000 per month to ABC’s net income, or \$4,680,000 if annualized. This doesn’t even include the financial impact of improved first call resolution, customer loyalty and retention, and overall better customer experience. What about the financial impact if ABC Wireless shifted all its call volume from Provid-

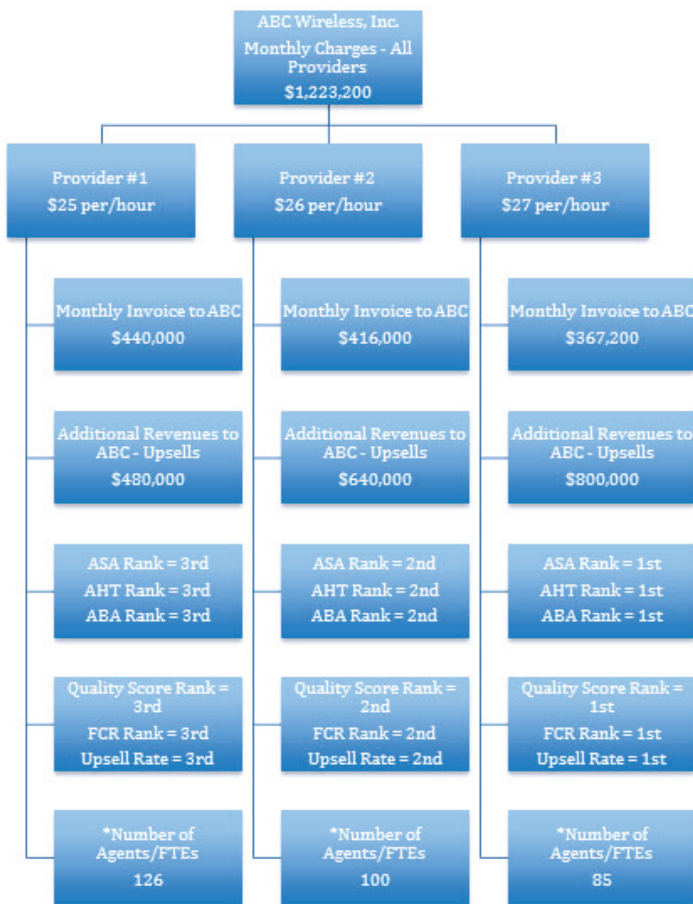
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ers 1 and 2 to Provider 3? It may have two or three times the impact on value.

Of the \$4,680,000, how much was offense and how much was defense? ABC Wireless produces \$3,840,000 in

additional annual revenue and reduces its annual expenses by \$840,000. This picture certainly does not paint the picture of someone who only plays defense—quite a bit of offense for a “defensive” call center player.

Of course, the agent hourly rate is an integral part of the any outsourced service provider's agreement and is the primary driver of how invoices are calculated for clients. However, call center management ultimately reins supreme and can often expose the hourly rate to have been a misleading indicator in a company's outsourcing decisions, successes and failures. **CRM**



Stephen Ferber is managing partner of Golden Gate BPO Solutions, which he co-founded in 2006. It provides global outsourced contact center and CRM solutions, consulting and vendor management. From 1995-2004, he was a key member of the management team of an outsourced contact center provider that grew from 400 to 14,000 employees worldwide. Ferber is a licensed attorney and CPA with experience that includes business/corporate law, entrepreneurship and executive leadership.

* Number of agents required by each provider was calculated using the Erlang C Call Center Calculator from Westbay Engineers Limited, which helps estimate how many agents are needed in a call center for each hour during an eight-hour day to efficiently handle, from an agent utilization standpoint, various call volumes. It is primarily based on the number of calls received each hour of an eight-hour day, average call duration and average speed of answer. It also takes into consideration the average delay that will be experienced between calls.