

**Presented by:**



# **Getting the Most from Your Call Center Investment**

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## Executive Summary

Success often brings unanticipated growing pains to businesses precisely at the moment they're experiencing initial triumph in the marketplace. When businesses add phones and operators to existing call centers to cope with growth, they run some predictable risks:

- Scalability Failure:** A cheap initial call center investment in a system that can't handle growth eventually results in increased business costs for both hardware and staff. A telephony solution that can't respond to corporate growth leads to caller abandonment and loss of sales, especially during spike service periods during holidays or successful advertising campaigns.
- Customer Dissatisfaction and Abandonment:** Customers whose calls are repeatedly transferred or whose files are neither current nor readily accessible report that they are dissatisfied with call center personnel. A customer on hold is a customer who will gladly do business elsewhere.
- Mounting Staffing Costs:** New employee training and lost employee experience and efficiency are the obvious costs of call center staffing growth. However, pouring money into an obsolete, non-integrated system means foregoing the host of cost-lowering features the latest systems provide.
- Unchecked Calling Costs:** Compared to today's efficient telephony solutions, old systems waste significant amounts of money on incoming and outgoing calls.

Today, companies can prosper from a wide range of computer telephony integration (CTI) solutions. CTI is the full integration of voice and data systems. The convergence of computer systems with call center operations adds increased scalability and muscle to existing business operations. Whether companies replace call center operations from the ground up or add computer integration to existing telephony, the business advantages of implementing the latest CTI systems include:

- Enhancing customer service for client retention and up-selling
- Increasing staff effectiveness and accountability
- Devoting management time and energy to running the business rather than compensating for an outdated communications network
- Controlling call center costs

Estimating the return on investment in new telephony can be tricky, since so much depends upon organizational and infrastructure readiness for today's converged call center solutions. But the evidence is plain: many companies already enjoy flat-rate calling, automatic call distribution, interactive voice response, and integrated screen tracking made possible by computer telephony integration.

Companies who have implemented today's powerful telephony are experiencing substantial immediate and long-term savings, increased productivity, steady customer loyalty, and a bottom line boost that more than offsets the expenditure.

## Introduction

In response to mounting demands on their call centers, successful companies providing business-to-business sales and services are changing their communication strategies. Where they used to give incoming calls equal weight, now savvy businesses strategically sift and route clients based on sales metrics, campaigns, relationship history, and agent expertise. Today's telephony delivers these communication advantages.

Twenty-first century communications solutions can be implemented without undue organizational strife through the integration of voice and data systems. Companies can create seamless interactions between clients and support staff through immediate and accurate transactions merged with deep data support and dramatically reduced costs. The new model (see Figure 1, below) not only creates an expert and efficient brand experience for corporate customers, it multiplies dividends each time a call is transacted and data updated through the software backbone.

The net gains enjoyed by companies using today's latest CTI solutions fall into two categories. First, the technologically "today" company with adequate telephony solutions experience fewer real-time emergencies. Second, in-touch companies have more time and resources to explore and implement advanced strategies and capabilities.

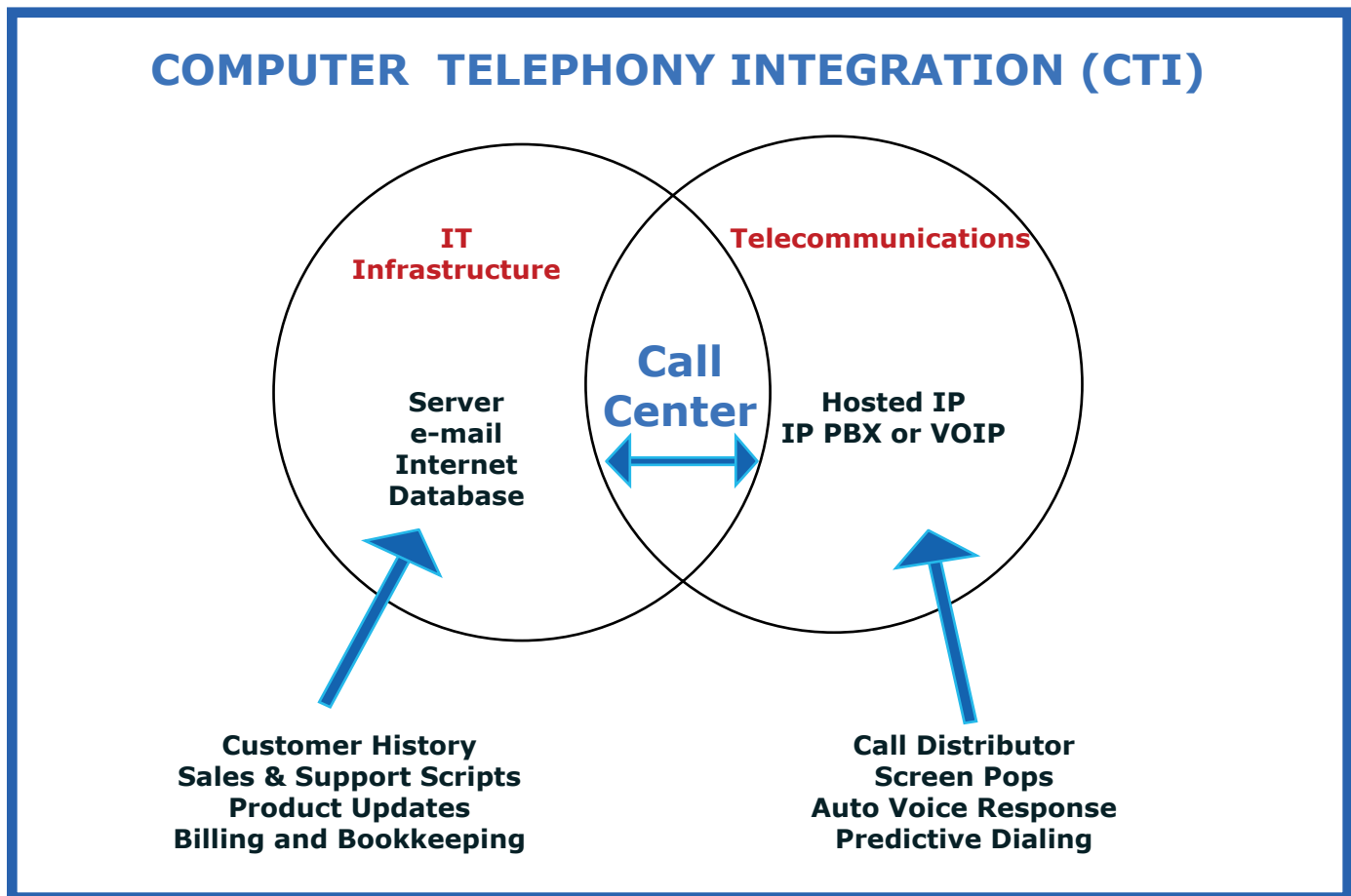


Figure 1: Interaction of a converged computer-telephony (CTI) system

## **Costs Add Up Without the Right Phone System**

According to cash flow consultant Andrew Goodin (2006), the average American business turns over approximately one fourth of its customers annually due to poor service, lower rates from competitors, or transfers to more innovative companies. Why? A business that experiences too much success too quickly can grow into a downward spiral of poor customer service, undependable order fulfillment, and interminable call center hold times.

Business growth, ironically, multiplies costs—especially for those companies who outgrow their communications systems. A telephony solution that can't keep up with either immediate or long-term communication needs invites these predictable problems:

### **Scalability Failure**

If a business buys telephony on the cheap initially, the system and customer service employees can appear to thrive during the initial startup period. However, successful expansion requires additional communications capacity. A company that bought a premises-based, in-house phone service, for example, may face dramatic costs for adding hardware, phone lines, cards, and boxes, as well as hiring a maintenance and service staff to patch in new desks for new phone support personnel or sales agents.

If demand levels spike, a business communications system's scalability limitations can prove disastrous. Increased service requirements due to holidays, sales or advertising campaigns, or organic word-of-mouth success may overwhelm antiquated systems. Callers abandon the long wait, and if a company has not converted to computer telephony integration (CTI) there is no way to track these failures. Despite calling in (and paying for) additional staffing, businesses risk exhausting their existing support teams.

### **Customer Dissatisfaction and Abandonment**

In a 2006 Annual State of the Call Center Report (Five9), almost 40 percent of responding consumers were "dissatisfied" to "completely dissatisfied" with call center personnel. The main reasons for customer disaffection were constant transfers between agents, the need to repeatedly start from the beginning in explaining their reason for the call, or agent ignorance of the range of products and services and the caller's history with the company.

Callers do not always know the extension to call, and they hate playing "extension tag." If a receptionist is too busy to help, a caller may find it less frustrating to open the telephone book or search online for a competitor than to wait. After a long hold, customers may be told that their agent or contact person is unavailable and are forwarded to the voicemail system that should have answered the call initially.

Worse, if the call system is not integrated with the IT system, there's no call history, and representatives must put customers on hold again while they drill through their network database or look up a sales history in the file cabinet.

### **Mounting Staffing Costs**

Each time a company has to add an agent to its already over-taxed system there's more than just the hardware cost involved. With an obsolete, non-integrated system, businesses pay in terms of lost employee time at the call center while new agents are trained with paper scripts and force-fed volumes of paper manuals and product catalogues. With computer telephony integration (CTI) systems, businesses can integrate scripts with full product and service information, trace customer history, and track time on calls, abandonment rates, time to close deals, and more.

### **Unchecked Calling Costs**

An outdated in-house business telephone system results in higher costs for incoming, outgoing, and long distance calls. In 2003, the average cost for an incoming call was \$3.85 per-instance. With many of today's new telephony solutions, the cost for incoming calls is down to \$0.05 per-instance or less, depending on the plan. Today's outgoing calls are set at \$.04—or established on an unlimited basis for a flat fee in many plans. Businesses that don't take advantage of these cost savings put themselves at a disadvantage in competing with those who do.

## Cost Savings and the Right Solution

The integration of voice and data networks creates fresh opportunities for productivity, profits, and standardized operations. Business owners repeatedly cite the following goals for investing in improvements in infrastructure:

### TOP GOALS FOR INVESTMENTS IN COMPANY IMPROVEMENTS

Key concerns cited by managers of companies with up to 99 employees



**IMPROVING CUSTOMER SATISFACTION**  
**INCREASING STAFF PRODUCTIVITY**  
**CONTROLLING COSTS**  
**INFORMATION ACCESS FOR DECISION-MAKING**  
**MANAGING DISTRIBUTED WORKFORCE**  
**GAINING TIME FOR STRATEGIC THINKING**  
**FORECASTING BUDGETS**  
**CREATING STANDARD BUSINESS PROCESSES**  
**IMPROVING EFFICIENCY**

Figure 2: Managers' top concerns for investing in infrastructure.

Whether adding increased scalability or CTI flexibility to existing business operations or replacing call center operations from the ground up, these business advantages spring from the right telephony solution:

- Enhanced customer service for client retention and up-selling
- Substantial increases in pertinent customer data, leading to a rise in staff effectiveness and accountability
- Management time devoted to running the business rather than answering calls that can be handled elsewhere or administrative oversight of the communications network
- Cost control

## Enhancing Customer Service for Client Retention and Up-Selling

Any business looking at a new telephone solution has to consider the range of robust customer service options bundled in most CTI solution packages:

- Automatic Call Distributor (ACD)** systems route incoming calls to the right person automatically, minimizing transfers, errors, and delays.
- CTI-merged programs** give all employees a "screen pop" that reveal the number and identity of each calling customer, along with buying history, order fulfillment, and other company relationships. This increases up-selling, cross-selling, and time-to-sales efficiency.

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- **Predictive Dialers** connect agents to qualified leads who answer their telephone.
- **Auto Dialers** call people on a strategic list and deliver key messages without requiring staff hours.
- **Call Blending** features intelligently apportion phone and computer resources among incoming and outgoing demand.
- **Reporting and Tracking** software records wait times, abandonment stats, time spent on scripts and closing interactions, number of incoming and outgoing calls, tracking campaign performance.
- **Workforce Management** software distributes calls evenly among qualified staff while assisting in providing relevant scripting and training materials across the network.
- **Interactive Voice Response (IVR)** allows customers to complete transactions, receive critical information, understand their options, without staff assistance and, if necessary, connect to key designated staff members through their use of touchtone keys.

For some businesses, inbound call routing features allow designated representatives to increase productivity by improving their first-call response while shortening time-on-call minutes, reducing staffing needs. The cost savings for outbound and incoming calls under CTI and new VOIP telephony integrations can be substantial. Businesses currently paying even \$1 per minute for a long distance call are paying more than a VOIP customer who makes and takes these calls on an unlimited basis for a flat monthly rate, typically from \$15 to \$30.

Using an auto-attendant and call distributor, The Electric Boat Corporation of General Dynamics reports saving an average of two hours each week for each employee who routinely travels out of the office by having calls re-routed to other staff members or to a message center. Before the implementation, as many as 100 employees spent those hours making return calls or tracking down messages (Big Sky, 2002).

## Measuring ROI and TCO

There is not yet a standard methodology for forecasting and measuring the return on investment (ROI) for telephony solutions. In many cases, a Total Cost of Ownership (TCO) estimates provide a more accurate guideline than an ROI assessment. The TCO practice was invented by the Gartner Group in the 1980s to fully incorporate direct and indirect business costs for a major hardware or software implementation. TCO anticipates the entire life-cycle of a project from installation, deployment, support, management, and retirement (Hamelly, 2006).

Rapidly advancing technology means that calculating a return has to account for a company’s technological readiness. What systems does the company already have? Will ongoing maintenance and support be required? How quickly is the business growing? Will there be a shift to a full CTI solution or reliance on an existing basic PBX system?

Associated costs include expenditures for scoping and installing the solution, maintaining the call center, providing upgrades, establishing disaster back up and recovery systems, leasing office space, spending on staff training, and paying in-house or outsourced operation expenses.

## How Buying Choices Affect TCO

Making a fine-tuned, appropriate initial telephony purchase invites the best return on a call center investment. Choosing an in-house or a hosted solution means weighing these desirable system features against the proposed annual telephony budget:

### Inbound call functions

- Customer service
- Technical support
- Lead qualification
- Convergence with email or fax
- Merchant card processing
- Scripting
- 24/7 coverage
- ACD and call routing
- Tracking and reporting
- Recording staff sales and support metrics

### Outbound call functions

- Telemarketing for products and services
- Campaign announcements
- Qualified leads follow-up
- Routine follow-up and maintenance sales and support
- Up-selling
- Predictive dialing
- Tracking and reporting
- Recording staff sales and support metrics

The cost of implementing the latest telephony technology varies widely. Small phone systems for businesses with up to 20 employees with basic direct dialing, voicemail, and music-on-hold are available for as little as \$3,000. They're not highly scalable and won't necessarily do much to increase service, brand loyalty, and time-on-call performance. For real CTI capability a company may have to pay out as much as \$1,000 per extension.

No one telephony strategy makes economic sense for all businesses. Consequently, Dimension Data, a Call Center Benchmarking Report, notes that "5% of centers have chosen to rent technology (compared to 4% last year), and 15% have chosen to buy hosted technology (up from 5% last year)" (Dawson, 2006). Hosted solutions can considerably lower overall operating costs. For example, hosted on-demand call centers bill at a flat rate per user, typically ranging from \$115 to \$160 a month. A monthly amortization cost for an in-house system can run to \$324.98 for each user.

The time it takes to get a call center up and running also affects ROI. In-house call centers typically take up to 90 days to deploy, while hosted CTI and new VOIP telephony can be in place in as little as five days—depending upon existing infrastructure and network readiness. A company experiencing rising costs and diminishing customer loyalty may not have time to wait for installation of an in-house call center.

The expenditures for any telephony solution will be offset by intangible gains—increased employee productivity, customer satisfaction, and brand loyalty—as well as by decreased overall costs.

## Making Telephony Choices: an Example

Before forecasting potential returns, a firm must evaluate its existing readiness for change on the hardware, telephony, computer, and personnel fronts.

Here's an example case study for a typical medium-sized company with an existing robust computer system. We'll call the enterprise the Apex Box Company. Apex has 300 employees and routes calls for its three Nevada locations through a standard, internally operated PBX system. Its customer relationship management software is adequate but not tied to the call center. Employees answer calls and manually search their computer database for customer histories. Three full-time technicians manage the on-site PBX.

Apex wants to improve its customer service quality, staff efficiency, and operational bottom line. After assessing the current setup and analyzing available solutions, Apex plans some changes.

To save costs through outsourcing its telephony, business owners hope to:

- Consolidate the existing three-location IT and telephone network under a single, centrally managed system.
- Save personnel costs currently dedicated to three telephone network engineers.
- Reduce the three-site data network maintenance costs up to two-thirds through consolidation.
- Increase call-center staff productivity by consolidating FAX, email, and telephone systems.

Given Apex's fully equipped IT backbone, the IP-PBX solution will cost 28% less than if new computer hardware were needed to crunch sufficient data for merged telephony.

Because hosting the IP-telephony network is outsourced, Apex also achieves a 51% savings on installation fees normally associated with telephone hardware, switching, wiring, and boxes necessary to run the system themselves. Finally, Apex realizes an additional 52% savings on its total system administration costs in having the telephony consolidated and managed by its selected provider.

The following chart shows how Apex would use a TCO-productivity estimate for its implementation of a Nortel IP PBX system with IP convergence:

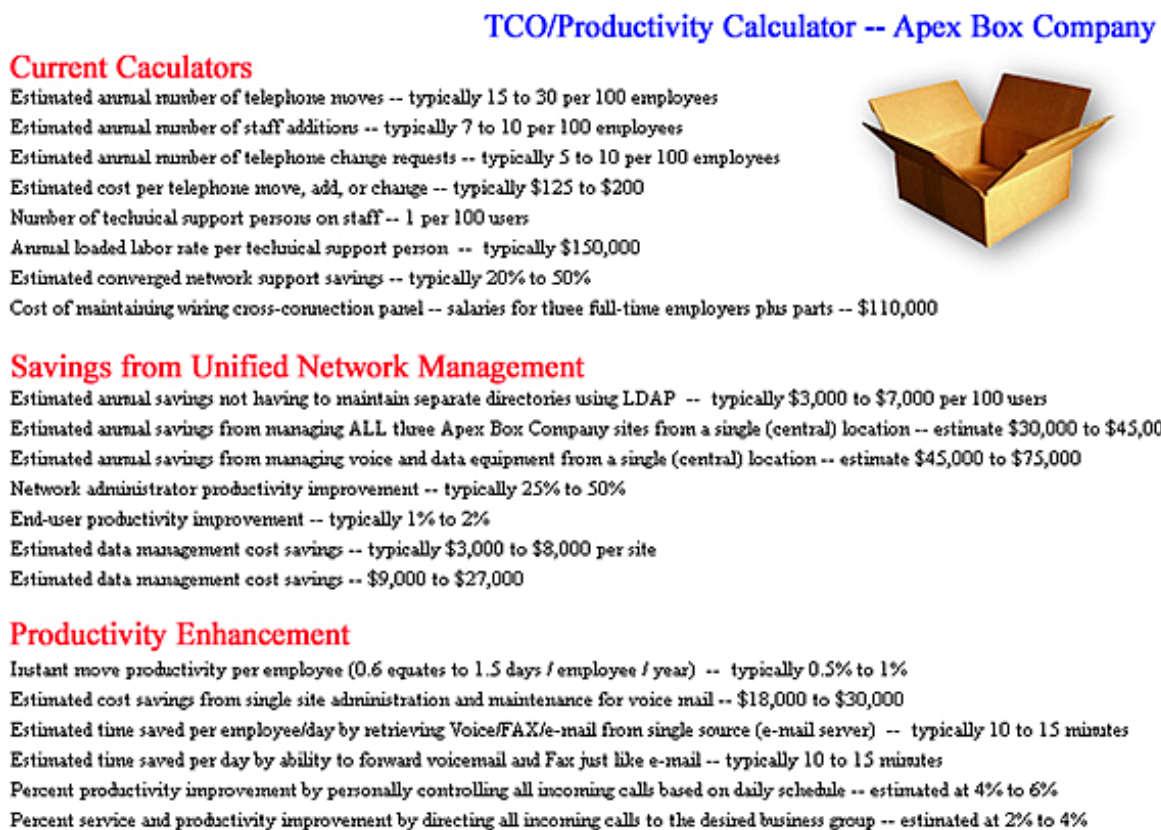


Figure 3: Estimated Savings with Converged IT and Telephony

## **Case Study: JCI Hits a Home Run**

In a real-world example, Johnson Controls (JCI), the world's largest independent supplier of automotive interior systems, decided to change over to a CTI solution. While receiving 11,000 inbound calls per month, JCI discovered that a minimum of 10% of their calls were bounced between representatives, with a five minute lag to handle the initial call and an additional three minutes for each successive representative where a frustrated customer had to explain his or her request anew.

With its new call-routing solution, JCI saved an average 146.66 staff hours per month in basic customer phone transactions. Looking back over Johnson Controls (JCI) experience, the TCO calculation runs considerably beyond the 147 hours per month saved in processing at the call center. JCI also enjoyed a \$74,000 annual savings in cost-per-minute phone bills.

JCI's auto parts quotes that were converted into closed sales increased by 20%, yielding an estimated \$301,968 in annual business. Given all the variables of equipment, software, and training, JCI could anticipate a complete return on investment in two years or less.

## **Conclusion**

If you are dissatisfied with your existing call center operations, you can realize sound returns and reap both material and intangible benefits by implementing a converged IT telephony system that keeps pace with your expanding business needs.

By making a series of careful, informed choices, you can plan for an upgrade that will yield satisfactory results immediately and provide for your future growth:

- Thoroughly assess your current hardware capability
- Determine your staff's readiness to accept change
- Forecast your anticipated growth
- Quantify your goals
- Analyze your telephony options and prioritize your desired system features
- Implement the best-fitting solution

Don't be surprised to find that call center options which once seemed extravagant are now affordable. Whether you're a small, medium, and large-sized business, up-to-date telephony is an essential support system for improving your bottom line.

## **About the Author**

Gabby Hyman has created online strategies and written content for Fortune 500 companies including eToys, GoTo.com, Siebel Systems, Microsoft Encarta, Avaya, and Nissan UK.

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