LEAN & MEAN:
COST REDUCTIONS STRATEGIES FOR THESE UNCERTAIN ECONOMIC TIMES

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While some businesses have been thriving lately, most have been feeling the impact of the slowed economy and the ripple effects of September 11. The press is filled with company earnings announcements below plan and layoffs of personnel. The effect on call centers is a definite tightening of budgets and focus on saving money wherever possible.

When asked to "tighten your belt", where do you begin? This article will help you focus your energies in the areas that have the most potential without risking long-term negative impacts. These strategies will help position your call center for both these lean times and the better ones that will surely follow.

Traditional cost-cutting measures typically fall into one of these four categories:

1 Staff Reductions
2 Workload Alterations
3 Application of Technology
4 Process Reengineering

Let's take a look at each of these strategies to see where the most significant savings lie, as well as where some potential risks may be lurking if the inappropriate cost-trimming measure is selected.

Staff Reductions

Since 65 to 70% of a total call center's operating costs are related to staffing, that is generally the first place we look to reduce costs. It is all too common to think of layoffs and reduction in staff as a way to respond to the call from senior management to tighten belts. But before you write up the pink slips, make sure you understand the implications of staff reductions.

Let's assume that you're a fairly small call center with fewer than 50 agent seats. (If you're a larger center, you can view these numbers as representative of a specialized agent group within the bigger call center structure.) Most days you're meeting your service goal of 70% in 30 seconds. The snapshot below indicates the staffing picture with varying numbers of staff during a half-hour in which you're getting 175 calls.

Number of Staff	Avg Delay (ASA)	Service Level (in 30 sec)	Staff Occupan
30	298 sec	24%	97%
31	107 sec	46%	94%
32	54 sec	62%	91%
33	30 sec	74%	88%
34	18 sec	82%	86%

35	11 sec	88%	83%

As you can see, staffing with 33 “bodies in chairs” would enable you to meet service level fairly consistently. But the loss of one person would worsen service level from 74% to 62% (or average speed of answer from 30 seconds to 54 seconds). Eliminating another person would drop service level to 46%, and the average delay would double to 107 seconds! And reducing staffing levels by three would horribly deteriorate service level to only 24%, resulting in an average delay of 298 seconds! So those callers accustomed to waiting for only half a minute in queue would now be waiting nearly 5 minutes!

And service isn’t the only thing that suffers. With 33 staff in place to handle the call workload, agent occupancy (the measure of how busy staff are during the period of time they’re logged in and available) is in a good range at 88%. Taking one body away raises occupancy levels to 91%; taking two away results in 94% occupancy; and taking three away means staff would be busy 97% of the time during the hour. In other words, there would be only 3% (108 seconds) of “breathing room” between calls. Such a high level of occupancy can’t be maintained for long. The likely result will be longer handle times, longer periods spent in after-call work to “catch their breath”, burnout, and turnover.

And there’s another point to consider. The reduction in staff might be outweighed by the increased telephone costs associated with the longer delay times. In this example, with 33 staff in place the average delay is 30 seconds per call. Multiply that by 350 calls per hour and that’s 10,500 seconds (or 175 minutes) of delay. If we apply a fully loaded telephone cost per minute to that usage of $.06 per minute, that’s $10.50 for the queue time. If we try and staff with 30 staff, remember our average delay increases to 298 seconds of delay. Multiply that by 350 calls and that’s 1738 minutes of delay, priced at $.06 for a total of $104.30 for the queue time that hour. In other words, by eliminating three staff to save money, we’ve just increased our telephone bill by $ 93.80 for that hour! And this doesn’t even take into account the likelihood of a longer call given the poorer than expected service levels. Telephone charges would likely increase even further.

This situation is even more dangerous in a revenue-producing center. If the value of a contact is $50, and agent salaries are $20 per hour, it is easy to see that putting another agent on the phone will pay for itself even if the agent only answers one call per hour that would otherwise have abandoned from the queue. But even if the value of the call is only $5, there is clearly a trade-off in determining the staffing level that will produce the highest net bottom line. The return on appropriate staffing must be argued against budget constraints.

So, from three different perspectives, you can see that a simple staff reduction may not save you any money. In fact, it may cost you more in terms of poor service, excessive occupancy levels, as well as increased telephone costs.

But if not a staff cut, then where should you look for savings opportunities in your center?

Workload Alterations

Since staffing represents the biggest part of your call center budget, there must still be a way to affect those numbers without affecting service and occupancy negatively. And there are effective ways to minimize the number of people required to do the job. It involves changing the workload so that not as many agents are required.

One of the most important concepts to understand about call center staffing is the principle of economies of scale. Simply put, the bigger the agent group the better. As the size of the team increases to meet an increased workload, the utilization of every individual within the group improves. So, look for ways to combine smaller groups. Cross-train personnel and look for ways to use skill-based routing to tap into everyone in the site who can handle every call type. The benefits in reduced staffing can be tremendous as seen in the following example.

Number of Calls	Erlang Workload	Staff for 30 sec ASA	Staff/Work Ratio	Staff Occupancy
100	10	14	1.40	.71
500	50	56	1.12	.89
1000	100	106	1.06	.94

The call center agent group handling the 100 calls will require 14 staff, with each agent busy only 71% of the time. Five of these groups would require 70 agents. But if all of the work of the five groups could be consolidated and funneled into a single group, only 56 staff would be needed, with each agent busy 89% of the time. And the economies improve as the size of the agent group (and amount of workload) increases.

This is a clear example of how altering the workload by cross-training and consolidating groups can result in a decreased need for staff without affecting service negatively. In fact, service may even improve, depending on the level of staff reductions you decide to make.

Another workload alteration you may wish to consider has to do with the efficiency of your hours of operation. Many centers feel compelled to "follow the crowd" and be open 24 X 7 these days, but the volume of calls during the wee hours is very small for most centers. Staffing during the overnight period is generally inefficient due to the small volume and the need for enough people to maintain security. Dropping just the hours between midnight and 6 AM could make a tremendous difference in the staffing cost with only a minor impact on service.

In a recent analysis, one call center discovered that reducing hours in this way could reduce staffing by 7%. Assuming that all of the calls that would have been handled during those hours were lost (and the people did not call back at another time), the analysis revealed a loss of 2483 calls out of over 44,000 (about 5.6%). The payroll was reduced by $8260. Therefore, the cost to handle those 2483 calls was $3.33 each. If the value of the calls is greater than that, then the center should make sure they answer them, but if not, or if most will call at other times (which is likely), then it is probably worth considering. Applying this kind of analysis to your low volume periods could reveal some reasonable trade-offs to consider in tough times.

Another strategy in workload alteration has to do with eliminating some of the call workload. Root cause analysis should be applied often to determine why people call. In a service setting, reducing the need for customers to call is certainly a good way to reduce costs in the center. Do a significant percentage of your callers have questions on their invoice? Perhaps a redesign of the bill would reduce calls. Maybe a focus on clearing up billing errors would help. Are too many calls about orders that are incorrectly filled? Providing the detailed information to the order-picking department may help them find the cause and fix it. These kinds of efforts not only reduce calls to the center, but improve customer service and retention overall. Of course, if the center is a sales function, then reducing calls is not necessarily a good move! But getting every one right and completing it so no follow up calls are required will pay equal dividends.

Technology Utilization

Investing in new technology may not be an option in tight budgets, but it is the rare center that cannot benefit from more effective use of the technology in place. The ACD/PBX is capable of many features and adjustments that will make a long queue seem more tolerable when additional staff aren't affordable. For example, the ACD can be set to not answer the call on the first ring and play the announcement. Perhaps a delay of 3 or 4 rings before answer would seem less annoying to callers that that same time spent in the queue. And you get the added benefit of savings on 800-service hold time!

Announcements can also inform callers during busy times that there are better times to call and that can help you even out the workload and your staff requirements over the day. Of course, you will need to help management understand that some calls will abandon immediately and that those should not be counted against the center's service objectives. Queue announcements and hold messages can also offer entertainment to callers and distract them while on hold so they don't perceive the wait as being so long.

Blocking calls with a busy signal is almost never a first choice, but in some cases it is a reasonable one. If there simply are not enough people to handle the volume of work, having the ACD return a busy signal when the queue reaches a certain depth may be better than just letting the calls pile up in queue. A busy tells callers to dial back at a better time, and at no cost to the center. Letting callers enter the queue and sit there for 10 minutes until they hang up also tells them you are busy now, but at a cost to the center and probably greater annoyance to the caller.

For those centers that can justify investments in technology, increasing IVR utilization, web site functionality, and more effective use of CTI technologies will typically pay dividends quickly. Check out the menus and options from a customer's perspective and be sure that the most frequently chosen options are early in the menu, that you have translated all industry jargon to language the uninitiated can understand, and that you are getting meaningful reports on the choices people make and where they bail out for human assistance. Offloading as many calls as possible to technology can be an effective way to reduce the size of the staff needed to maintain expected service levels.

Process Reengineering

Perhaps some of the biggest opportunities for savings lie in simply changing the way we do things in some cases. Shrinkage (the amount of time agents are paid for but during which no calls are handled) includes some things that are not changeable such as vacations and coffee breaks. But there is often a fair amount of time lost in just not being in place logged in when the schedule is expecting them to be. Focusing on getting the maximum logged in time from each agent can be a significant opportunity since the lost time to unexplained unavailability ranges from 2-10% in many centers.

<u>Expanded Schedule Mix</u>
Another place to look for efficiencies is in the variety of schedule options you use in matching your call center workforce to the workload. If most of your agents work full-time, 8-hour schedules, then schedule inflexibility is a problem. It's amazing how much more efficient your schedules will be simply by adding some part-time (3-,4-,5-, and 6-hour shifts) and expanding the definition of full-time to include more than just five 8-hour days.

To illustrate the savings achievable, one call center that recently implemented workforce management software expanded their schedule mix from only 4-hour part-time and 8-hour full-time schedules to include 5-hour, 6-hour and 10-hour shifts, along with a new days-off rotation. By making these simple changes the overall FTE count went from 189 staff to 152 staff – a 20% reduction in staff requirements and actually a better, more consistent level of service!

<u>Staggered Schedules</u>
Another call center for a major catalog company, shifted from traditional 30-minute start times to having staff begin their shifts every 15-minutes of the day. The rationale of this change was that by staggering start times, breaks and other off-phone activities could naturally be staggered throughout the day as well. And it worked! By staggering these start times, the call center went from 124 staff required to only 114 staff – an 8% savings by this simple adjustment.

<u>Workload Blending</u>
Blending various types of workload holds a promise for efficiency that was first introduced by the automated dialer vendors touting the glories of blending inbound and outbound calls. Now we are getting suggestions that blending calls and other media should work well too, since many of our agents have idle time on their hands that need to be filled.

Realistically, however, it is a rare center in our experience that has idle time, but let's assume for a moment that one did and wanted to fill the lulls with outbound calling. Sure, the dialer could generate more calls to fill in this idle time, but experience suggests that the time of day and day of week when this idle time is available is not necessarily the best time to reach people on outbound efforts. In fact, calling at this time might well be very unproductive, annoy customers, and burn through the available list with little productive results. Better to think of the staffing of inbound and outbound separately to maximize the efficiency of each, and if there is some overlap, go ahead and use it, but don't just force your outbound campaigns into the valleys in the inbound workload. The result will be poor results on the outbound efforts, as well as worn out staff!

Turnover Reduction

Turnover can be a huge drain on the call center's budget. Recruiting, training, and then losing personnel is both costly and frustrating. During the lean times, focusing even more on keeping the people you have is certainly a good economic decision. Most agents who leave report that the reasons are poor fit for the job, lack of a career path, poor work environment, and lack of recognition. They often stay due to good motivational fit, empowerment, training, career path, and recognition/rewards. Most of these are things that can be addressed through changes of processes and without a huge investment.

The good news is that recruiting during these economic times should be easier. Make the most of this opportunity to do some careful recruiting and screening. Be extremely picky and make sure you get people with both a good technical fit and a good motivational fit for your center that are likely to stay with you even after the job market opens back up.

Summary

It is clear that we are in the midst of tough times. Your center will be called upon to make sacrifices and do its part to reduce costs as many companies respond to the downturn. But you can position your center to weather these times through making smart, informed choices about where the best reductions can be made.

This is a good time to sell senior management on the value of the center in customer retention and focus on increasing revenue instead of just reducing costs. Applying some of the techniques above should help you weather these hard times and prepare for the good ones that are just ahead.

About the Authors…

Penny Reynolds and Maggie Klenke are co-founders and Senior Partners with **The Call Center School**, a Nashville, Tennessee based consulting and education company. The company provides a wide range of educational offerings for call center professionals, including traditional classroom courses, web-based seminars, and self-paced e-learning programs. For more information, see www.thecallcenterschool.com or call 615-812-8400.