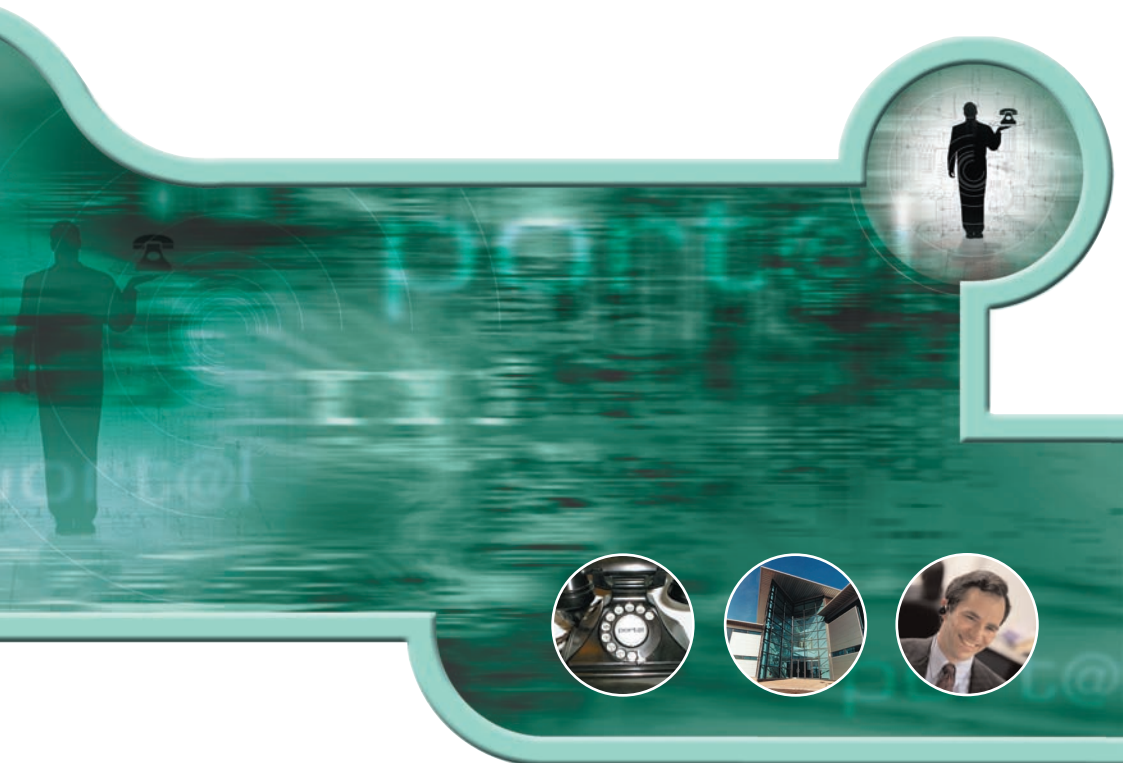


# Call centre return on investment

**Research findings and report by Glenn Hurley,  
Chairman of Port@I**



**port@I**

Leaders in Occupier Solutions

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*Glenn Hurley has worked at a senior executive level in the tele-services industry for the last 20 years, in sales and marketing and business development roles.*

ABOUT GLENN HURLEY



In 2000 Glenn co-founded Port@I to provide a new breed of hosted contact centres which combine the control advantages of in-house contact centres, with the flexibility of outsourcing.

This document presents highlights from Glenn's recent paper presented to the European Contact Centre Strategy Forum which focused upon Maximising your Return on Investment. Together with highlights from a recent research study Port@I undertook to investigate how companies managed the financials of their centres.

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// *The number of call centres in the UK is*

*predicted to increase by 85% in the next*

*four years. //*

*(Datamonitor 2001)*

.....

*As the expectations of those using call centres rise, so the pressures on those running them is increasing. An explosion of e-commerce and escalating call volumes is taking place, alongside the constant arrival of new IT and telecommunications tools. The forecasted avalanche of new email traffic (consumers are expected to send 50 million daily by the end of this year) adds to the pressure on organisations to invest in contact centres, infact the number of contact centres in the UK is predicted to grow from 800 to 5,000 in 2005.*

*(Datamonitor 2001)*

INTRODUCTION



Measuring your return on call centre investment, if only to justify them on the company's balance sheet, is something that can get overlooked in such a febrile market.

As a supplier dedicated to helping organisations get the best return from their call centres, we decided it was time to step back and research the financial controls adopted by call centre users. We organised 30 in-depth interviews with leading users, analysing many aspects of call centre management, financial planning and evaluation.

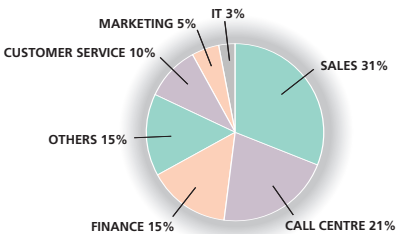
This report presents an overview of the research findings, along with other fresh research evidence, probes the vexed issue of how users cost out their centres or simply evaluate their effectiveness and provides some practical guidelines.

*The findings highlighted some interesting and yet some very concerning trends, with the research supporting the underlying message that not only is accurate cost evaluation difficult to administer, but often avoided entirely.*



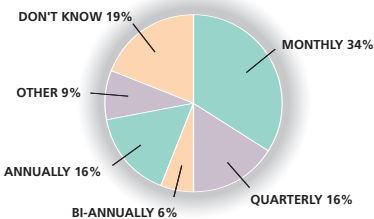
**RESEARCH FINDINGS – the highlights**

**FINANCIAL RESPONSIBILITY FOR CALL CENTRE**



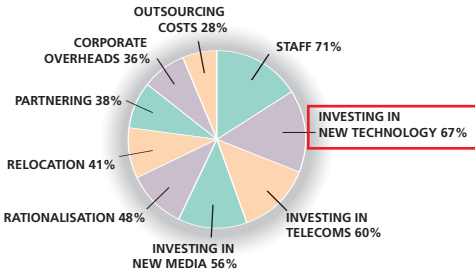
- We looked at the ownership of financial management of call centres, sales typically dominated the field as did self-management. Only 15% of the companies we spoke to listed finance as having financial responsibility.
- When asked where responsibility should lie there was only a slight shift towards call centres, finance and marketing.

**FREQUENCY OF COST-EFFECTIVENESS REVIEWS**



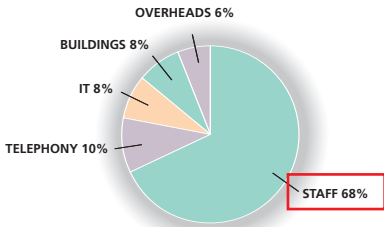
- There was little consensus over how often the cost-effectiveness of centres was reviewed, with 50% of respondents admitting to only reviewing bi-annually or less.
- 66% ran their call centres as cost centres rather than profit centres, but one third of those admitted they did not know what their centre was costing them annually.
- Of those operating profit centres, the areas having the most impact on profitability in priority order were staff, telecoms, IT, corporate overheads and buildings. Whilst those having the most negative impact on profit were, again in priority order were staff attrition and sickness, failure demand (calls arising from previous communications), system downtime, and inadequate MIS.

WHERE DO YOU SEE MOST OPPORTUNITY TO REDUCE YOUR COSTS IN THE FUTURE?



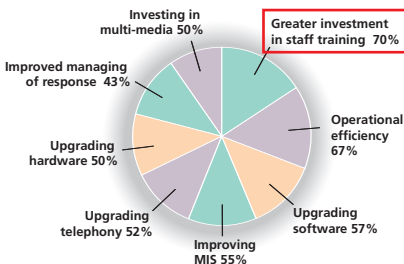
- Of those operating cost centres, the most important opportunity areas for reducing costs in the future were staff, technology and telecoms.
- Investing in technology, was seen to be very important in providing an opportunity for reducing costs in the future. However expected percentage increases in the annual technology budgets, to keep pace with technology updates, typically fell between 5% and 19%, with 37% not knowing what the annual increase would be.

AVERAGE CALL CENTRE COSTS



- We were interested to establish how the cost of a centre was calculated, there was little consensus as to what should be included. The most commonly mentioned were staff, telephony and IT, with buildings and overheads being included less frequently.
- As expected 68% described staff as the largest cost element of their call centre, with IT and telephony at 18% and premises at 8% .

WHERE IS THERE MOST OPPORTUNITY TO IMPROVE CALL CENTRE PERFORMANCE?



- Finally it was strongly felt that greater investment in staff training and operational efficiency would provide the most opportunity to improve call centre performance.

// Areas that need to be examined include

location, building, housekeeping, IT, telephony

and staff – all high cost areas.

//



IT'S A COST CENTRE - but how much does it cost?

.....  
*Two thirds of the companies we spoke to claim to run their centres as a cost centre – but 33 per cent of those said they did not know the costs.*

This, in itself makes it clear that there exists a vexed question that is more widespread than we might like to admit. Just how do we cost out our centres, and judge their cost effectiveness? Come to that, how do we prove they are as effective as they should be, at least from the customer's point of view?

When it comes to attempting to define the indefinable - in determining a call centre's return on investment - we first need to consider maximising return on investment by minimising costs. Areas that need to be examined include location, building, housekeeping, IT, telephony and staff – all high cost areas.

All these subjects are highly critical areas when it comes to highlighting potential for cost reduction.

#### LOCATION

Firstly, the location. Naturally we seek a site that offers optimum savings in land costs and building costs. These are the obvious considerations. But there is another factor related to location that can be, and often is, overlooked when it comes to doing our sums: the labour force. An Adecco survey (2000) on the best locations for call centres shows that availability of local labour was the most critical determinant in selecting location – 77 per cent – followed by operating costs at only 15 per cent. Meanwhile the biggest single disadvantage of existing locations was identified as difficulties with transport and accessibility. In view of this I do wonder, therefore, how often, when it comes to arriving at staff costs, is location, or perhaps I should say relocation, genuinely brought into the equation? For example, in our survey 71 per cent identified staff as their

// *How do we future-proof our IT, ensure that at any given time it is as efficient and up to date as it possibly can be? //*

biggest perceived area for cost reduction. But how many companies measure the relative cost of sustaining their current location as against finding a fresh site? How many sit down and ask themselves: 'How much is my present home costing me compared with the savings I might make by pulling up my old roots and putting down new ones elsewhere?'

#### **BUILDING AND HOUSEKEEPING**

Secondly, the expenditure involved in the building. The sheer cost of, say, a 15-year lease is daunting enough, especially when in today's environment we might consider ourselves fortunate to know where we will be businesswise in three years' time. But there is also the huge cost – not to mention hassle - of management, or housekeeping - as well as the outlay on rent and rates, insurance, catering, cleaning, maintenance, security, landscaping, utilities, telephones – all those charges and expenditures that collectively add up to a considerable cost factor

#### **IT AND TELEPHONY**

Thirdly, IT: Telecoms equipment, diallers, IT software, IT hardware, support and maintenance. Above all there is that major imponderable: how do we future-proof our IT, ensure that at any given time it is as efficient and up to date as it possibly can be? We can do it for you, by employing the expertise of one of our partners specialising in application development and systems integration. Whichever route you choose, it is worth applying a great deal of thought to this aspect. You need to select a supplier who can keep outlay to a minimum while making the most of the benefits of technology by developing new and innovative solutions.

#### **STAFF**

Fourthly, staff: We've already weighed the benefits of location vis a vis local labour. We also need to balance the minimum salary and on target earnings necessary to get the best staff and keep them. Staff attrition remains one of the biggest problems of the industry, and as we are all aware as well as frustrating it can be costly, especially in resources spent on recruiting and training.

According to Blue Sky Consulting, the key factors that affect attrition are culture, personal progression, personal development opportunities and management style. In addition, companies need to develop line managers to support and reinforce the corporate culture. It is interesting, by the way, that Blue Sky say they have seen organisations where the pay is not the best, nor are the premises, but they have everything else right – so the staff believe it is a great place to work.

// Those 'sweatshops' paying the minimum wage and providing poor conditions will lose the best operators //



.....  
*Let me turn now to the sort of conundrum that has finance directors pulling the duvet over their heads and turning their faces to the wall.*

TIME TO PULL UP THE DUVET...

#### QUANTIFYING FIXED VERSUS VARIABLE COSTS.

In fixed costs, of course, we include the building, the interior layout – partitioning and so on – and the physical infrastructure. Fixed costs also embrace the IT infrastructure.

Variable costs cover agents, recruitment, management, operational consultancy, incremental IT hardware and software, IT/CRM consultancy, furniture and workstations.

With the Port@I hosting solution, there are no fixed costs, and variable costs only increase as you take on more staff. The result is that you move into profit more quickly than with in-house provision, which has a high level of fixed costs, and outsourcing, which compared with hosting has a higher level of variable costs.

However, by getting bound up in facts and figures we can easily lose sight of our biggest single asset of all – **THE STAFF.**

I emphasise the need to place staff right at the top of the tree if only because it is my belief that the total employed in call centres will peak in the next two to three years. At the same time, in the age of knowledge management, CRM and multimedia, their task will become more complex and their true value will soar.

Agents will become 'knowledge handlers' or 'gatekeepers'. They will be computer literate, knowledge-based, fed instant access to all relevant information for handling incoming and outgoing contacts, and possess full familiarity with all the systems so as to cope with whatever query the customer throws at them.

I predict a real shortage of the right kind of people. In that climate, problems of agent attrition – currently 20 to 40% - will be bad business practice, plain and simple, as well as bad PR, and those 'sweatshops' paying the minimum wage and providing poor conditions will lose the best operators.

Employers will therefore need to create the best working environment, the best recruitment processes and the best people-management processes to hold on to good staff. Purpose-built contact centres will be seen as positive aids to recruitment, retention and individual productivity.

*“ Purpose-built contact centres will be seen as positive aids to recruitment, retention and individual productivity. ”*

.....  
*Having considered the various assets, we need to consider how we exploit those assets to the best possible effect.*

## MAXIMISING YOUR ASSETS



First of all, we must understand demand. I refer to value demand, which represents genuine business, and failure demand, in other words calls arising from poor service. Unhappily, it's our experience at Portal that many managers do not pay sufficient attention to failure demand and its serious consequences. Yet according to research by Vanguard, the management consultancy, failure demand is rarely less than 25 per cent – at its worst it can be as high as 75 per cent of total demand. You don't have to be far-sighted visionaries to imagine the grave impact on costs, not to mention that on image and staff morale.

We must also manage demand. We know that the starting place for planning a call centre has to be the volume of work to be done. Decisions are then made about acceptable waiting times, abandon rates, and wrap-up times, which then become the standards and targets for time to answer and call duration. While all this calculating is going on, what is happening? The human element is lost, or at least neglected. Managers become preoccupied with productivity per operator and cost per call. They fail to realise that it is their slavish attention to the demands they have set that actually causes costs to rise and service levels to fall.

We also have to invest in operational efficiency. Training is the key to getting the best from staff, to their benefit and to the organisation's benefit. Yet training is renowned for not working, because it was either not suitably tailored to the individual or, too often, is not pursued. Our partner's experience, Blue Sky Consulting, is that it is best not to begin to train until we have a clear understanding of the client's business objectives, culture and brand values. Working closely with the client to ensure the training programmes we create are as relevant as possible to their needs is essential, as is the involvement of senior managers - since to them falls the responsibility of seeing that newly learned skills are sustained on the floor.

Marketing programmes, systems, and targets and rewards also need to be carefully examined and implemented.

*“89% of respondents quoted "my manager is always positive" and "I see myself as part of the company" as key reasons to stay in their current position.”*

.....

*It is clear from the research, that not only are staff seen as one of the most valuable assets, they are also recognised as the single most important factor on profit potential and performance of the call centre.*



#### STAFF MOTIVATION AND RETENTION

This further highlights the importance placed on recruiting, motivating and retaining the best staff as key to success and a cost-effective business.

A staff survey of call centre staff at an international Bank showed the following as top priorities when accepting a new job:

- Appreciation of good work
- Possibility of promotion
- A sense of involvement in the business
- Good salary
- Good working conditions

With appreciation of good work ranking the highest amongst staff priorities, once individuals had joined a company good working conditions were rated higher than salary and the possibility of promotion.

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*Charles Hutton-Potts, Partner at Grant Thornton, explains why hosted contact centres allow companies to account for their customer contact centre facilities "off balance sheet".*



#### THE BENEFITS OF OFF BALANCE SHEET

To many, this accounting term may mean little, so let's look a little closer at what this actually means for potential hosting clients.

The off balance sheet financing of an asset means that a company has physical possession of an asset, together with control over its use, but does not actually own it. As it does not actually own the asset, it does not appear on the company's balance sheet.

The advantages of this arrangement to the operating company are:

- The asset can be in the possession of (and used by) the client without the need for them to raise the finance. It is the provider's finance that is used for the purchase of the fixed asset.
- As no finance is necessary, there is no impact on the clients gearing or other financial ratios.
- The client "pays for" the fixed asset by means of monthly or quarterly payments. These payments can be treated as expenses in the profit and loss account and, as such, will

*// The services offered by Port@l, that of hosting of customer contact centres, are a powerful example of how the off balance sheet financing of an asset can provide significant advantages to companies //*

*“ By allowing a business to maintain a high quality customer contact centre off balance sheet via a company like Port@I, and removing the burden of continual reinvestment, cashflows can be significantly improved, thus allowing clients to take earlier advantage of other investment opportunities. ”*

reduce the profit and consequently the amount of corporation tax that would otherwise be payable by the operating company. This may be more tax-efficient than the normal method of purchase and annual writing-down allowances against corporation tax.

The services offered by Port@I, that of hosting of customer contact centres, are a powerful example of how the off balance sheet financing of an asset can provide significant advantages to companies.

These benefits can be a valuable advantage in a number of circumstances including:

- start up companies, where capital is frequently a scarce resource
- companies experiencing growth, where maintaining focus on sales and other areas of the existing business is key
- mature companies, where it is important to free unnecessary capital in order that it may be diverted into higher growth

By allowing a business to maintain a high quality customer contact centre off balance sheet via a company like Port@I, and removing the burden of continual reinvestment, cashflows can be significantly improved, thus allowing clients to take earlier advantage of other investment opportunities.

.....

*We have seen that much of the ground we have attempted to cover does not necessarily have clearly signposted routes, is not as open as it at first sight might seem.*



## CONCLUSION

A good deal of it has to do with perception and attitude, and throws up some challenging questions. How do we analyse the costs and assets of the business, and the true cost of those assets? How do we maximise the revenue from those assets in the short, medium and long term, given that the most important area of cost is people?

Furthermore, how do we assess the impact that our decision-making processes, from buildings to technology, has on these people? And how much attention are we paying to these real, direct and indirect costs? And how much attention, too, are we giving to exploring alternative ways of providing the same service, but in a better, more customer friendly way?

The purpose of this paper was to open the debate on how we should be measuring the Return on our Investment in Call centres. We would welcome your views on the subject:

Please call: Glenn Hurley at Port@I on 01285 653111, or email at [info@portal-centres.com](mailto:info@portal-centres.com).

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