

Contact Center Operations in a Down Economy—Market Insight

CONTACT CENTER OPERATIONS IN A DOWN ECONOMY

Executive Summary

A declining economy affects how contact centers operate. The competition for resources inside an organization pits the labor-intensive customer care operation against other profit centers. In recessions past, contact centers have fared badly, as they have been seen as easy places to make cuts in headcount and to defer infrastructure spending. This time, though contact centers are just as vulnerable, they should be able to make a better case for their value, and for the value of investing in them.

This paper will outline some of the challenges contact centers face, and how savvy managers can turn them into powerful opportunities for increasing their parent organizations' awareness of the centers' contribution.

How the Economy Changes Things

For all the talk in recent years about call centers becoming profit centers within companies, the hard truth is that they remain tactical cost-centers in the eyes of most senior executives. They are highly labor intensive, and at the same time dependent on an expensive technology infrastructure. Both require significant ongoing investment.

Over the last several years (and notably, in the period since the last major downturn), contact center managers have started to understand the imperative to cast their work as both profit-making and value-creating. Senior executives, have long paid lip service to the *idea* that customer care is a positive value, rather than just a cost to be borne. That lip service has started to become reality, thanks to new tools and metrics that link the contact center with what's going on elsewhere in the enterprise. Executives have started to see the relationship between how customers are handled and how well the company performs.

But that linkage is tenuous at best. Historically, the contact center is one of the first, and easiest places to make cuts when the economy sours. As we head into what may become a major, long-lasting decline, the progress that the industry has made is clearly at risk. Evidence suggests that there is already a reversion to the traditional stance of using the contact center to contain costs.

There are definite risks to starving the contact center of resources. Even absent a macro-economic motive to invest in customer care, it is clear that customer service is a competitive differentiator and a major factor in customer longevity. When the economy sours, the need for those efforts to protect the customer base is even more pronounced.

When facing a resource crunch, decision-makers need to factor more variables into their thinking. They need to consider the potential for revenue generation from the contact center, and whether it makes sense to neglect that for short-term budgeting.

They need to consider the relative costs of customer retention versus customer acquisition. It costs less to acquire a new customer than it does to retain an existing one—but those costs often come out of separate budgets. That makes it hard to visualize the long-term pain that comes from cutting contact center headcount.

In addition, you have to take into account the ways that customer expectations themselves change during bad economic times. Customers often look harder at service quality and accessibility as measures of value when deciding where to do business. It is easy to forget that while the economy is forcing companies into internal battles to allocate resources, the same thing is happening in the customer's wallet. Each customer is making renewed decisions about where to spend scarce dollars, and judging company performance more harshly.

Executives are faced with a complex calculus of forces. Unfortunately the loudest and clearest ones are usually those that argue for circling the wagons and cutting costs. Because of that, contact center professionals need to redefine what exactly is meant by *smart management*: is it what gets you through the next quarter? Or what sets you up to have an outstanding 2010 or 2011?

Key Challenges

Contact center practitioners must confront several important challenges in order to come out of a serious downturn poised for growth:

Challenge #1: Preserving the positive revenue-generation stance in the face of lower budgets. There will be strong pressure placed on the contact center to revert to the traditional cost-control operational models—reducing headcount, training and recruitment, and delaying technology investment. The savvy contact center manager will not resist, but will also present alternative scenarios that emphasize opportunities to grow revenue using those same resources. For example, using training to find agents who have sales skills, and then deploying them in cross-sell and up-sell opportunities.

Challenge #2: Preserving efficiencies and satisfaction levels with lower or flat headcount. Thanks to the professionalizing of contact center operations over the last two decades, most centers are very effective, efficient engines that facilitate high volumes of customer contacts. The gains in productivity originally came from new technologies, like workforce management software. But over time, managers became expert at deftly manipulating the automated tools at their disposal to make the most expensive component of the contact center—the labor—much more productive. Performance optimization tools and better training have made it much easier to measure (and then boost) customer satisfaction. The challenge as times toughen will be to hold on to those gains even as budgets are tightened and centers are asked to do more with less.

Challenge #3. Finding extra value embedded in your existing tools that can contribute revenue, or help spread costs around. One way to do more with less is to examine the tools that are already in use in your center and see if there are components, features or licenses that are available, already purchased, but not used. Analytics, for example, is often part of an agent performance optimization suite, but is rarely turned on when such a suite is first deployed. For the small added cost of turning on the feature, you may be able to provide value to external departments (like marketing, or product development), helping to extend the ROI of the contact center outward. Other stealth applications (i.e., tools that you may not know you already have access to) include unified communications tools and workforce scheduling for back office staff.

Challenge #4. Communicating the contact center's value to those who hold the purse strings. This is perhaps the hardest challenge of all. In previous recessions (especially the deep one from 1990-91), the contact center was seen as an extension of the company's operations department. It was seen to produce little value overall. This economic dip finds us in a different state—the tools and metrics are now available to contact center managers to articulate a) the importance of customer satisfaction to the bottom line and b) the role of the contact center in making it happen. It is up to the center's managers to *make* that case, instead of assuming that it is clear and explicit.

Opportunities for Advancement

Those challenges are serious, but a declining economy opens the door to making substantive changes in operations that can pay long term dividends.

First, a downturn provides cover for making hard structural changes in processes, policies and workflows that are otherwise painful. The first reaction in such cases is often to reduce headcount, and that is sometimes a necessary option. Businesses can also improve efficiencies by tightening performance standards in their centers. Performance bonuses and incentives can be tied to revenue metrics, like sales goals or customer save opportunities.

This is also the time to itemize and attack the business practices that may once have made sense but don't any longer; procedures put in place by previous managers ago that now have no justification that you can discern. Or policies that have a political constituency somewhere in the organization but that work against contact center agent productivity.

Another opportunity is the chance to adjust the external components of the customer service strategy. This is the moment, for example, to turn customers towards less expensive and labor-intensive modes of communication, like email or chat. Or, to begin using proactive automated outbound notification calls (or SMS messages) to customers to head off informational inbound calls.

And a critical part of that strategy is to direct customers to self-service whenever possible. Part of the resource re-allocation that is spawned by the economic uncertainty should be directed towards improving IVR call flow and enhancing the breadth of applications that are provided through voice self-service portals.

One side-effect of a downturn is that as the U.S. labor market softens, it paradoxically may become easier to find reasonably-priced workers in desirable locations. One opportunity that should be explored is to recalibrate the mix of *human* resources: there may be a most cost-effective mix of in-house, outsourced and/or remote agents available. And it may be an opportune time to reevaluate the site selection and real estate aspects of call center operations.

It is fair to say that all of these steps can and should be taken even during periods of prosperity—but during good times companies get soft, and sometimes don't take advantage of all the efficiency options that are available. The wet-blanket of a recession provides a reality check for managers to impose more rigorous guidelines and standards.

Technologies Impacted

A downturn turns the spotlight on tools that might otherwise be secondary in more prosperous times. In some cases, they are "low-hanging fruit" in the quest to eke more productivity out of existing labor resources.

Hiring and assessment tools, for example, are often overlooked—the on-boarding process is rarely automated. One way to reduce recurring training and recruitment costs, though, is to use software or services that ensure that you are hiring the right people for the job in the first place. There is nothing worse for a budget than putting people through training only to watch them leave two months into a job (multiplied by hundreds, or even thousands of times).

Workforce management software plays a similar role. Despite its long history, there are still many greenfield (read: "Excel-based") scheduling environments, even in the mature U.S. market. Surprisingly, much of that greenfield opportunity exists at the highest end of the marketplace, in large high-volume centers. There is no quicker way to improve labor efficiency than to measure your actual FTE needs and perfectly match demand to supply.

Managers should also explore the capabilities of the tools they have already bought, especially if they can turn them to a new use, like measuring or surveying customer satisfaction. Too many tools are tuned inwardly, towards giving the manager a picture of agent performance based on activity. But many performance optimization tools have components that can hook into an IVR (or other customer-facing portal) and derive a more detailed picture of customer intentions. With the contact center fighting internally for resources, having clear insight into customer behavior (and its financial consequences) can be a winner for the center's manager.

Other technologies that are likely to be helpful during a downturn include hosting, remote agents and virtualization—all allow for short term experimentation with different modes of management and different configurations of your resource allocation, in the search for the most economical scenario.

During lean years, what all sorts of vendors will likely try to do is push their contact center customers up the value chain, trying to retain them as long term customers through incremental upgrades. They will also be talking up their platform integrations; the logic of interconnecting between multiple vendors holds for both the vendors and their contact center customers.

Strategic Recommendations for End Users

During these times, it is essential that contact center practitioners take steps to contain costs and maintain their core ability to serve customers. It is just as important, however, to preserve their companies' strategic relationship with those customers as a way to position themselves for a post-recession upswing. These are some strategic recommendations that contact centers should consider:

- Hosting or virtualizing part of your technology resources. There are cases where, for a variety of reasons, internal IT departments stand as a barrier to adopting even small-scale technology fixes. Several key contact centers have indicated that rather than wait for IT approval to spend on needed software, they are moving some part of their contact center platforms to external suppliers in order to speed the process and prove the concept.
- Managers must filter every action they take (including any proposed process improvement changes and resource planning decisions) through a revenue-generation prism. They must ask themselves, in effect, "Is there a hard-dollar benefit to making this change?" Having the sure knowledge that a tool or a process will result in more sales, lower customer churn, better marketing penetration or some other tangible metric will make it easier to get buy-in from cost-controlling decision makers.
- Contact centers must measure value more effectively. Instead of relying on traditional in-center metrics that stress agent activity, managers must look to metrics that express performance (of agents and centers) in terms of profits and outcomes. With that in mind, they also need to share those metrics with relevant colleagues in other departments, to assist them in seeing the value of the contact center to what *they* do.
- In the short term, contact centers must reduce hiring and training costs through more effective on-boarding. This includes considering pre-hire assessment tools (both as services and software) to find candidates who are a better fit for their jobs, leading to lower turnover.
- All methods of self-service should be explored, including refreshing the technology underlying the IVR or voice portal systems, the ability to handle alternative contact modes (SMS and email), and the use of proactive automated outbound notifications to customers. That has the potential to be a powerful call deflection device, reducing volumes that reach agents. Also, it is important to remember that even if there are no resources available to upgrade or replace the underlying technology for the self-service front end, it still pays to examine in detail the call flows and processes behind it to make sure they are as efficient and snag-free as possible.

Organizations should leverage the knowledge held by their customer bases through online forums and user groups. Encourage the use of forums for mutual support; this is one of the most cost-effective (and low-technology) methods of deflecting routine calls from the contact center. And it has the added effect of providing a important window into customer sentiment.

Conclusion

History tells us that an economic decline presents a fork in the road for companies. They can take the short-term path, and reduce costs in their customer contact infrastructures through attrition and headcount cuts. Or, they can take a longer view, and use this as a period in which to reevaluate their basic processes, goals and produce a roadmap for a better, more profitable customer relationship when the economy improves.

Regardless of the path, there is one constant: customers *will* come calling, so be prepared.