JULY 2011
VOLUME 1
NUMBER 3
ISSN: 1758–4256

Journal of Customer & Contact Centre Management

Henry Stewart Publications
Russell House, 28/30 Little Russell Street,
London, WC1A 2HN, UK
www.henrystewart.com/jcccm

Printed by Charlesworth Press
Typesest by Acorn Bookwork

Aligning contact centre operations with business strategy: How a simple reframing of a contact centre business strategy can lead to a more profitable business

Received (in revised form): 10th December, 2010

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Abstract

With the advent of web-based services providing better opportunities to conduct self-service in a more cost-effective manner, it is imperative that contact centres no longer view themselves primarily as transaction-based operations – order taking, billing inquiries and cancellations – but rather as a group of highly skilled general managers operating a profitable business. When contact centres do not consider themselves as businesses, their supporting processes and activities tend to not be aligned with the organisation's overall business strategy and mission statement. This makes it difficult for them to focus on serving the customer. This paper describes a best in class contact centre business model and illustrates how a contact centre can transition from a cost centre to a revenue-focused business by employing a revenue-generating model, maximising the customer experience and efficiently utilising capital and operating resources.

KEYWORDS: *contact centre, alignment, customer experience, efficiency, revenue generation, profit and loss*

MANAGEMENT IMPLICATIONS

- For contact centres to be fully effective, they must be operationally aligned with the organisation's overall business strategy. While most contact centre managers will argue that they are aligned, many factors in managing a call centre can become counterproductive if they are not all supporting the business strategy.
- Due to the high costs associated with contact centres, most are viewed as cost centres rather than businesses responsible for their own profits and losses (P&Ls). Contact centres operating as P&Ls make decisions that affect the organisation's overall business objectives, rather than just their own departmental objectives.
- Contact centres are organisations serving three primary functions: revenue development; customer experience; operational efficiency. Most organisations tend to

focus primarily on one of these three functions. The goal of contact centre management is to understand the relative importance and weighting of revenue, efficiency and customer experience and how they match up with the business strategy and mission statement.

- The most successful contact centres are those that are fully aligned in their focus and have the appropriate people, technology and support processes in place to maximise the opportunities in their business. For example, transitioning an organisation from an operational focus to a revenue focus requires looking at the operation from a P&L perspective to gain an effective understanding and relative prioritisation of the operational changes required to effectively drive change.

THE CONTACT CENTRE BUSINESS MODEL

Like any successful business, a profitable contact centre needs to operate on a strong foundation. In the contact centre business model, illustrated in Figure 1, the foundation is based upon the strongest structural shape – the triangle. Each of the three apexes of the triangle represents a focus on customer experience, revenue generation and efficiency. In a contact centre environment, these three areas of focus provide the foundation for converting the contact centre into a profit centre.

- Efficiency is a focus on providing service in an optimal, cost-effective manner, which includes measuring and minimising waste in a contact centre. Waste, from a Lean Six Sigma perspective, is any activity that is of no value to customers.[1] Optimising resources and reducing wasteful practices serve to improve the overall value to customers, with an enhanced customer experience. Workforce optimisation (ensuring the right number of employees are on hand to handle the call volume), coupled with the ability to quickly identify caller needs and provide complete answers equals efficient call handling. Few customers want a long, drawn-out support/sales cycle; they want to be addressed promptly and they want the outcome to be successful.
- Customer experience is the best long-term driver of profitability and is crucial for any organisation. This means ensuring that the organisation listens to its customers and provides the products and services that best fit their needs. An agent's ability to fully understand, translate and act upon customer needs is the primary driver of superior customer service. The best agents are able to fully understand a customer's needs by carefully probing and then crafting the appropriate response or solution. In a best in class situation, the customer views the experience as seamless; they will tend to go

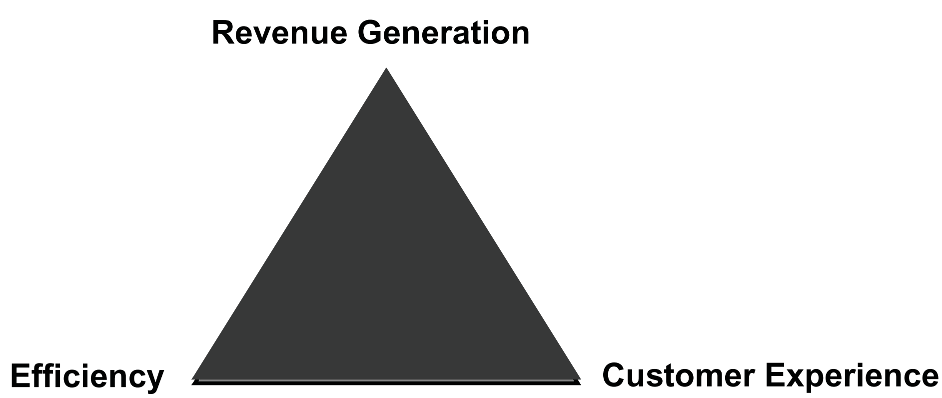

Figure 1: Contact centre business model

Source: TMG International Inc.[2]

back for advice and assistance and they will even tell their friends about the service they received. Word-of-mouth marketing tends to go hand in hand with excellent customer experience.

- Revenue is the lifeblood of any profit centre and is the best indicator of long-term health within an organisation. All levels of the contact centre must view themselves as a channel that impacts revenue generation. The understanding that contact centres are intricately involved in an organisation's ability to generate revenue helps create awareness that every customer interaction is a treasured opportunity to maximise revenue. Revenue in its broadest context comes from selling products or services to new customers, selling additional products or services to existing customers and includes retaining product and service sales with existing customers. Generally, it is the job of the marketing organisation to bring new potential customers to the organisation and it is the contact centre's job to sell to the new customers, as well as to up-sell and retain existing customers.

WHERE IS THE CONTACT CENTRE POSITIONED?

Typically, an in-depth analysis of a contact centre begins by understanding the corporate mission and overall business strategy. This is followed by an assessment of the relative weighting of the three contact centre functions, revenue, efficiency and customer experience, and how they match up with the corporate mission and business strategy. This interaction must be aligned and reflected within the contact centre and throughout the rest of the organisation. Alignment will help to achieve the organisation's mission by fully marshalling all available resources, whereas misalignment indicates an inefficient use of contact centre resources.

Many efficiency-focused organisations chose to off-shore their contact centre operations when Voice over Internet Protocol and broadband network access, coupled with low labour rates, made this approach economical. In some cases, however, this resulted in a deterioration of the customer experience. After being recognised as a serious customer experience issue, some vendors have taken advantage of unsuccessful off-shoring by marketing local 'on-shore' customer delivery options. Contact centres that focus solely on efficiency reflect an organisation whose business model identifies the contact centre as a cost centre.

A contact centre that is focused on delivering a positive customer experience may not be operating efficiently and may not have strong financial objectives. While long conversations that address customer concerns (regardless of relevance to the organisation's service offering) will translate into a positive customer experience, they are inefficient. Long talk times and large variations in talk times often indicate that agents are not trained properly and are unable to bring the call to a timely close while satisfying the callers' needs. The result is large variability in call handling times and, therefore, large standard deviations around the norm with regard to cost per call.

The graph in Figure 2 shows data retrieved from an actual call centre. Plotting the customer service time (CST)[2] by agent helped to explain the problems that this call centre was having with its call time consistency and, more importantly, it helped pinpoint the contributing outliers. By reducing these variances, the contact centre was able to experience significant savings.

The contact centre is intricately involved in an organisation's ability to generate revenue. The organisation must understand that every customer interaction is a treasured opportunity to maximise revenue and that, without revenue, the contact centre does not have long-term viability. Since the focus in most organisations is on attracting new

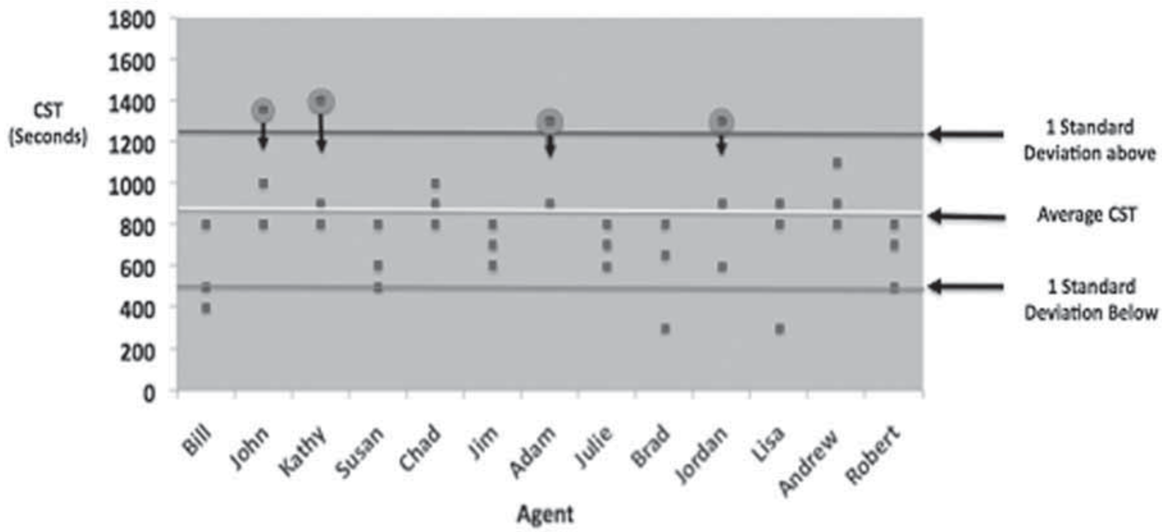

Figure 2: Customer service time (CST) by agent. CST = not ready & hold time + average talk time

Source: TMG International Inc. [2], Bergevin[3]

customers, contact centres also tend to focus on them, often to the detriment of cross-selling to existing customers or retaining them. For example, in analysing an organisation that had more than 50 per cent market share, it was found that focusing on adding new customers would, at best, increase revenue by ten per cent, while focusing on cross-selling to existing customers could add up to 75 per cent more revenue. Taking a more P&L focused view of the business gives a contact centre the opportunity to reprioritise its activities to maximise revenues.

As shown in Figure 3, the alignment of the contact centre with the organisation's mission statement and the rebalancing of its customer focus (revenue, efficiency and customer experience) are best managed through the lens of a P&L. The P&L provides a perspective on the relative value of the operational activities in the areas of people, process and technology. This assists the organisation in determining the relative importance of these activities in driving revenues and profits and, ultimately, the customer experience.

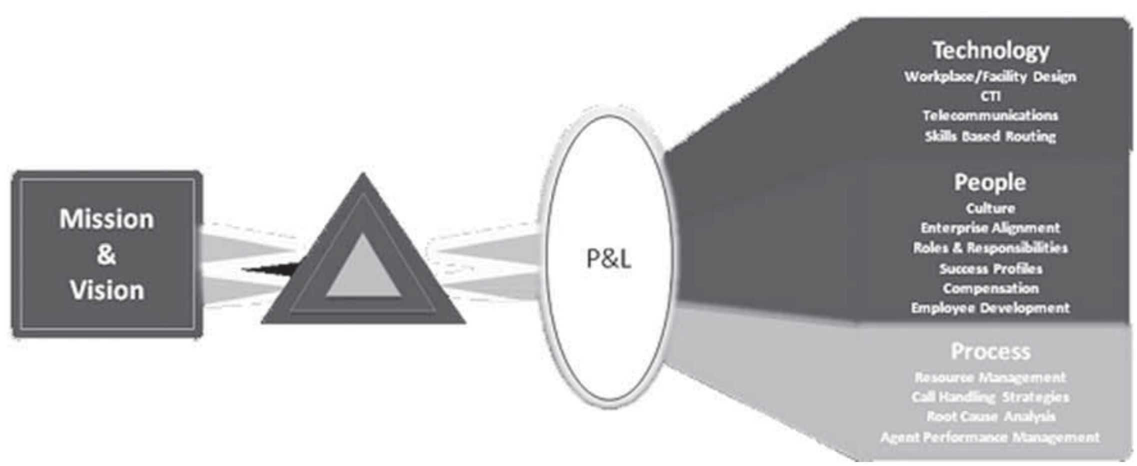

Figure 3: Refraction of the contact centre's key functions through profit and loss (P&L) lens

Source: TMG International Inc.[2]

When contact centres do not consider themselves businesses, their supporting processes and activities are not aligned with the corporate business model. By looking at the contact centre as a business, its operational focus changes, as do its priorities. For example, the need/opportunity to grow revenues through cross-sell may encourage the business to focus more aggressively on existing customers. The resulting operational focus may involve the development of coaching strategies, incentives and reporting to more effectively execute on cross-sell opportunities.

The following case study illustrates how a contact centre reframed their business by viewing it through the P&L lens. Using this approach, they were able to successfully transition from a cost centre to a revenue-focused business, maximising the customer experience and efficiently redeploying capital and operating resources.

CASE STUDY: IT IS NOT JUST A CONTACT CENTRE – IT IS A BUSINESS![4]

The Client

A major loyalty rewards contact centre with more than 1,000 agents was operating as a transactional, redemption service. Their historical purpose was to provide transactional support and assistance for callers seeking to redeem their points as part of a customer service department in an airline. The organisation underwent a significant reorganisation that led to the loyalty rewards programme, operating as a newly formed corporate entity and expanding its mandate to include service and sales. Defining the overall business vision and mission of the new organisation as a revenue development organisation required the contact centre's business model and associated vision and mission to also be redefined and realigned.

The Challenge

The challenge for the contact centre was to redefine itself. Traditionally, they had been viewed as a cost centre but they were now transforming into a revenue-generating profit centre. With historical operational imperatives focused on efficiency, the contact centre was now required to redefine its business model and supporting practices to drive an increased focus on customer experience, a renewed focus on efficiency and a new focus on revenue generation.

The Approach

The first step in the new revenue generation strategy was to build a profitable transformation roadmap with aligned stakeholder commitment. The business needed to drive change through people, process and technology. This required an extensive communications initiative designed to gain long-term commitment and investment support. After developing the roadmap, a review of the contact centre was completed to analyse the current state of the operations. The analysis provided a clear view of the existing gaps in aligning the contact centre with the new business model. In transitioning to a revenue-generating operation, however, there were three immediate obstacles that were also identified:

1. The list of things that needed to be changed seemed too extensive and the organisation was unsure as to what came first.
2. The investment required was significant and far exceeded available funding for new staff functions, IT systems and required training.
3. It was evident that this change was not an activity but rather a process and would take a considerable amount of time.

Key Insights

Given the many gaps and significant investments needed to achieve the revenue-generating objective, it was evident that jumping to a revenue focus immediately would be unsuccessful. Instead, it was determined that addressing some of the issues related to customer experience and operational efficiencies would lay the foundation upon which to build a solid strategy to grow revenues.

The key gaps identified in the areas of customer experience and operational efficiency included the following:

- There was a clear disconnect between the agents' performance objectives and the mission/vision of the organisation.
- The agents were not performance focused and did not have the training, motivation or tools required to become revenue focused.
- The definition of a good customer experience was not well defined and varied considerably by agent.
- The supervisors were not able to coach effectively due to the large ratio of supervisors to direct reports (1:40).

Addressing these gaps would afford the organisation the necessary cost savings to fund many of the required investments, while simultaneously reducing the cost centre's negative impact on the corporate P&L.

Recommendations

The contact centre review identified five key recommendations to effectively transition the contact centre to a revenue development-focused organisation, as follows:

1. Align the agent's goals and objectives with the organisation's mission and vision and ensure that reporting is provided at the agent level.

   The most significant gaps identified in this contact centre organisation were the lack of alignment of the agents with the organisational objectives and the inability to provide reports at the agent level. As shown in Figure 4, agents were being asked to generate revenues without insight into their individual performance. To address this, the appropriate measurement capabilities had to be put in place. These included the ability to measure against revenue objectives, generate reports on a timely basis and easily communicate the results down to agent level. This made it easier to evaluate the organisation on customer experience since the agents could be measured individually.

   In the contact centre review, the agents' primary measures were found to be operationally focused around schedule adherence, talk time and reward redemption productivity. Reporting was implemented at the agent level in the areas of revenue development and customer experience.
2. Ensure that agents are revenue focused by developing a performance-based culture that is fully supported by the rest of the organisation.

   In a contact centre, there are many variables that affect the overall performance of an agent. Figure 5 outlines the five key variables that must be aligned in order to drive agent performance in the area of revenue growth. In this case, agents were not able to maximise their performance because all of the supporting variables were not aligned with revenue growth. For agents to be fully revenue focused, they were given clear revenue objectives, they were properly trained to support revenue growth (both product and sales training) and provided with individual reporting and incentives to

Figure 4: Inability to report at the agent level. In many contact centres, agents do not receive information on a daily basis on their individual performance. Instead, they must rely on period information from Quality Assurance and/or their supervisors

Source: TMG International Inc.[2]

encourage the achievement of objectives.[4] Finally, they were coached and given feedback on an ongoing basis as a means of encouragement. Initially, this client had none of the above-mentioned elements in place.

3. Supervisors or team leaders need to operate as full-time coaches, supporting the agents' ongoing performance to ensure the effective transition of the operation. Figure 6 illustrates the supervisor coaching model.

   A combination of too many agents per supervisor and the lack of customer experience measurement and call quality analytics contributed to an inefficient

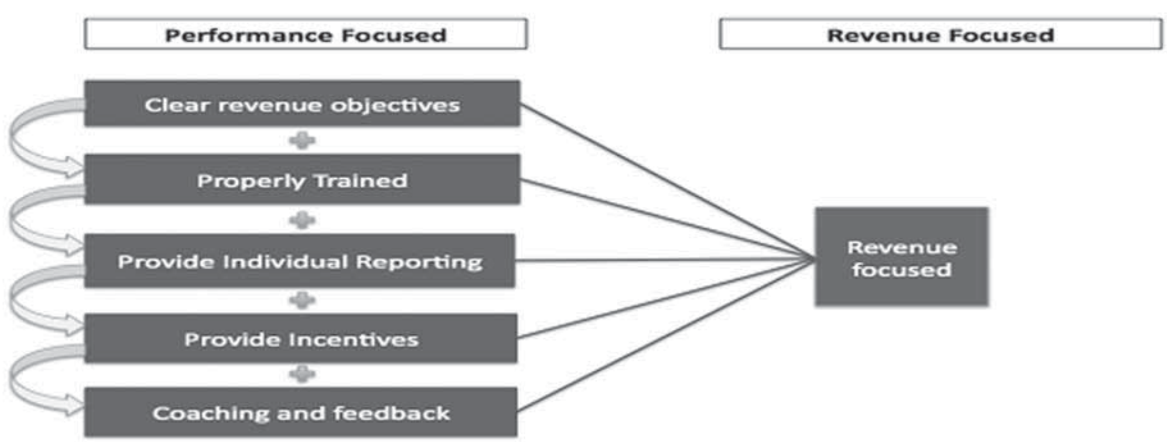

Figure 5: Becoming revenue focused

Source: TMG International Inc.[2]

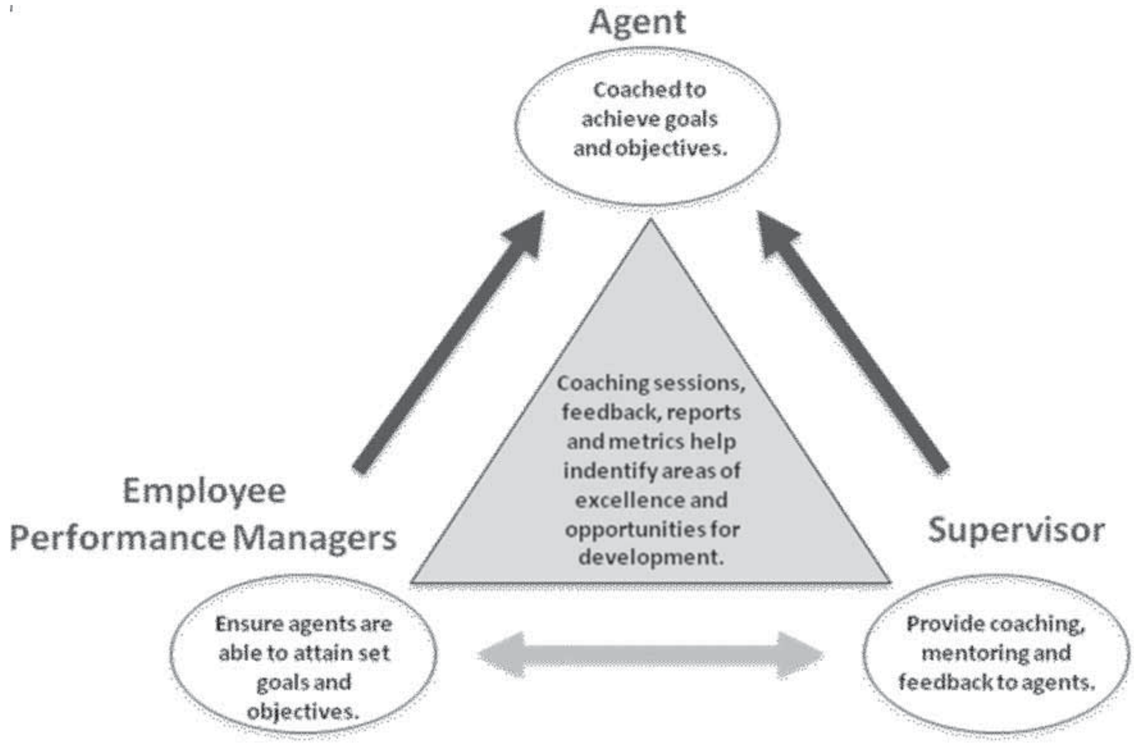

Figure 6: Supervisor Coaching Model

Source: TMG International Inc.[2]

organisation. The review identified that a supervisor to agent ratio of 1:40 was too great to enable coaching. Furthermore, it was identified that supervisors dedicated only 30 per cent of their time to coaching, with the majority of their time being spent on managing cost-related activities, such as schedule adherence, conformance to policies, and other administrative matters. In some cases, agents only met formally with their supervisor once per year; clearly, not an ideal situation for managing change and growth.

Supervisor to agent ratios were reduced to 1:12–15, with coaching time by supervisors in the 70 per cent range. This smaller span of control and high percentage of coaching time made it easier for the supervisors to spend the necessary training and coaching time with the individual members of their team. Agents were provided with the appropriate guidance to deliver a quality customer service experience and fully take advantage of revenue-generating opportunities. Supervisors could more effectively coach each agent to ensure that positive behaviours were reinforced and opportunities for improvement were identified and acted upon on an ongoing basis.[4] Implementing smaller team ratios at all levels of the contact centre contributed to improved efficiencies and the delivery of a better customer experience.

4. Reduce agent handling times in order to reduce costs, while increasing customer satisfaction and providing more time to offer new products and services.

   Increasing operational efficiencies began by analysing agent CST scatter plots. The graphs in Figure 7 were very useful in highlighting the large variability in CST, representing significant additional costs over and above standard operating costs. Bringing the high outliers down to one standard deviation above the average CST translated into a one-time cost saving of \$2m through headcount reduction.

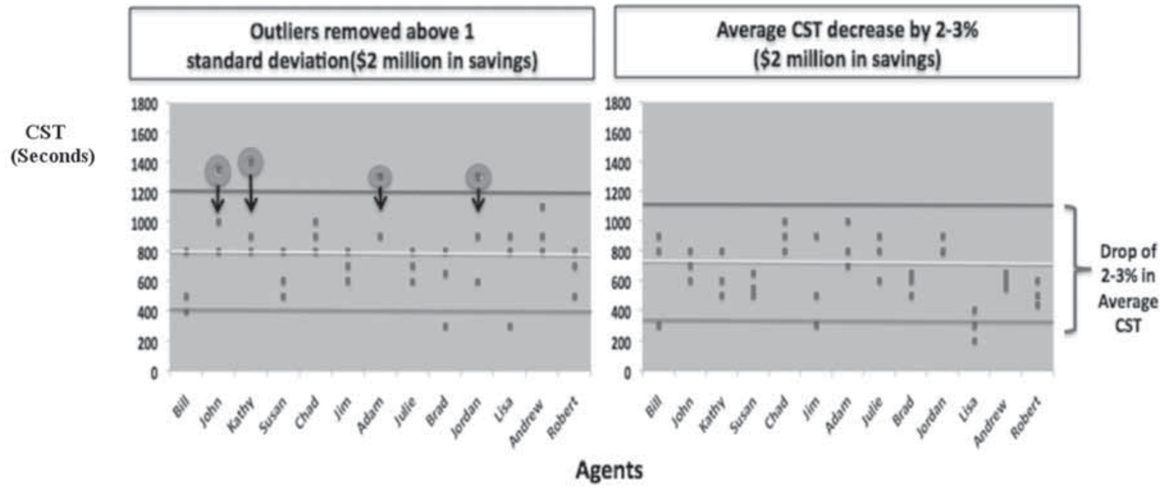

Figure 7: Cost savings by eliminating outliers and dropping the average customer service time (CST)

Source: TMG International Inc.[2]

Decreasing the average CST across the entire centre by another two to three per cent represented another $2m of savings in headcount-related costs (net of redundancy/ severance costs). A portion of the $4m savings was used to fund infrastructure improvements and organisational requirements associated with improving customer experience and new revenue development opportunities.

5. Implement strong communication and feedback mechanisms to support a revenue-focused, continuous learning environment.

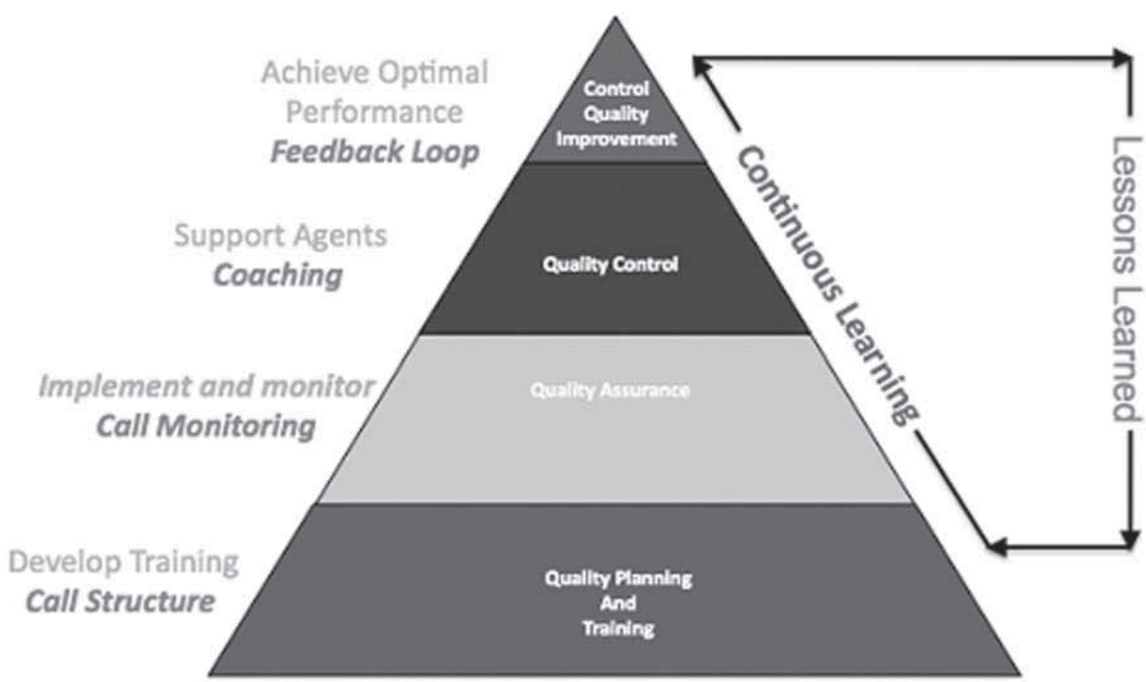

Figure 8: Developing quality with a feedback loop

Source: TMG International Inc.[2]

One of the characteristics of best in class contact centres is their ability to continuously improve. This ability is most obvious in their culture and not just in stated processes or formal feedback mechanisms. There was no feedback loop on the effectiveness of training activities from the agent population. Adding a feedback loop, such as the one illustrated in Figure 8, was essential to the overall process of improving contact centre employee performance while learning what worked and what did not.

Impact

The challenge for this contact centre was to redefine itself. Traditionally, it had been viewed as a cost centre but it needed to transform into a revenue-generating profit centre by redefining its business model and supporting practices. Addressing the operational gaps through the lens of the P&L afforded the organisation the necessary cost savings to fund many of the required investments, while simultaneously improving the call centre's profitability. There was a number of benefits to the organisation, including increases in revenue and improvements in operating efficiencies and customer experience survey scores. The most significant benefit was the redefinition of the organisation as a highly motivated group of change managers dedicated to moving the business to its next level of success.

CONCLUSION

The most successful contact centres are those that are fully aligned in their focus, with the appropriate people, technology and support processes in place to maximise the opportunities in their business. To achieve this, it is necessary to identify where the organisation is today, where it wants to be and what gaps or obstacles need to be overcome. The order in which to address these gaps and the relative importance of the tactics designed to transition the organisation to its desired state can best be determined by taking a P&L view of the business. The value of the P&L view of the business is that it helps to quantify the relative importance of the individual tactics when developing the overall roadmap to transition the organisation to its new state.

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