

# **How to Conduct a Call Center Performance Audit: A to Z**

---

**"A Guide to Self-Assessment"**

by

Dr. Jon Anton  
Purdue University  
Center for Customer-Driven Quality

and

Dru Phelps  
BenchmarkPortal, Inc.

Content Editor  
Dr. Natalie Petouhoff



## **Business Navigation**

Only two centuries ago, early explorers (adventurous business executives of those bygone days) were guided primarily with a compass and celestial navigation using reference points like the North Star. Today's busy executive also needs guidance systems with just-in-time business intelligence to navigate through the challenges of locating, recruiting, keeping, and growing profitable customers. The Anton Press provides this navigational system through practical, how-to-do-it books for the modern day business executive.



4th Edition, Copyright © 2004 (08-Jul-04)

The Anton Press, Santa Maria, CA 93455  
Used pursuant to license. All rights reserved

No part of this publication may be copied, scanned  
or reproduced without the written permission of  
The Anton Press, a division of BenchmarkPortal, Inc.,  
3130 Skyway Drive, Suite 702, Santa Maria, CA 93455.

ISBN 0-9630464-6-2

---

## **CHAPTER 2: CALL CENTER ISSUES VS. OPPORTUNITIES**

---

### **Background**

Few departments within companies have grown as quickly in the last few years—and become as expensive—as the call center function. Some studies show that inbound calls from customers to companies have grown from a mere 11 million in the mid 1980's to over 15 billion calls in 2000, with an estimate of doubling to 30 billion calls by 2005. Because of this wildfire growth, most companies have focused primarily on just “containing” the phenomenon, i.e., adding people, telephone lines and information technology, just to answer the callers' questions and minimize blocked and abandoned calls.

As call center costs have skyrocketed, so have the requests by management to keep the costs down, but at the same time management wants to provide more services to callers more efficiently. Better utilization of existing equipment and people are often the short-term goal of the call center manager. But efficiencies are only half the equation and, alone, can cause more damage than good in the long run.

### **Forces of Change and Resulting Demand for Better Call Centers**

Competition is the biggest reason for the increase in demand for better call centers that can handle calls more effectively.

Competition in virtually every industry is rapidly changing. In the last twenty-five years, global competitors have captured a dominant share of basic industries, then moved to electronics, automobiles and banking (to name a few). Entrepreneurs saw unfulfilled needs and filled them, stealing customers from muscle-bound giants. The number of new business startups and outsourced service providers have soared to provide multiple channels of contact, including Web, chat, and e-mail response.

As a result, companies can no longer afford to be unresponsive to customer requests. If one company doesn't meet their needs, another one will. These are good times for consumers. They really are “The Boss” now, and they are using their newfound power of choice to demand the products they want, the way they want them and when they want them. Listening to the customer has become key to survival.

The resulting demand on business is customization. Customers demand a custom fit. To gain an advantage, smart companies are using call centers to monitor customer demands and continually develop new products, services, packaging and delivery, based on unfulfilled customer needs.

## **Change Management: People, Process and Technology**

New technologies accelerate both the capabilities and demands for change, including faster communications, more detailed and timely information about customers, and more precise measurements of cost and quality. However, the need to optimize the triad of people/process/technology is necessary in order to maximize the return on investment for implementing state-of-the-art technology and process. Many times companies get caught up in buying the best technology available. They find later that not only are the bells and whistles not being used, but also the basic functionality of the system is not being fully utilized. A comprehensive change management program is required to guide change in the workplace. More information on this can be found in Appendix A: The Demand Generation Seminar, and in Appendix B: Evaluating Readiness for Change and Conducting Client Interviews.

A change management program looks at:

- assessing the readiness and capability of the employees to change the way they do their work
- gaining management support to supply the needed training, in terms of budget and schedule
- creating a communication plan around the time line and the changes to the technology and workflow processes
- outlining the current processes that the technology supports and mapping the process that new technology would create
- creating an implementation plan and schedule to realistically transition legacy systems to the new system and running the old systems in parallel for a period of time to ensure seamless transition
- creating a lessons-learned process so that once the new system is running, improvements and updates can easily be made and employees can be trained on the changes

## **What Works Now**

Most industries are in a period of global over-capacity. As consumers vote with their dollars, many companies are thrust into survival mode. This is especially true of those who were successful under the old rules. They carry the baggage of “what used to work,” even though “it” no longer does. They are in the habit of focusing on internal issues, not the customer. They hold onto both a culture and processes based on outdated models. In order to prosper, they must re-engineer and change the way they do business, not only to be cost efficient, but market-driven and effective.

Thus, nimble companies are growing rapidly as a result of listening to customers and serving their needs, often one customer or segment at a time. They grow by allowing employees (a) the freedom to stay close to the customer, and (b) the ability to quickly react to customer needs (empowerment). A pattern of success is emerging.

Also, fast-growing companies are often unburdened by the past. They are either newer, start-up customer-care centers—or they have in some way (a result of acquisition, for example) taken a fresh approach to knowledge management through call center information automation. Another growing area is that of the outsource service provider, who manage the entire customer service transaction from a remote location, at times from offshore sites. In all cases, the need for a call center assessment remains crucial in the time of change.

### **Re-engineering the Call Center**

The model for reengineering for optimization has most recently been directed toward one of two objectives. Two of the latest keys to success are enhancing customer focus or the use of information technology.

Until recently, however, “know thy customer” was usually easier said than done. Computer technology just wasn’t up to the job: the data existed but were too voluminous, too widely scattered throughout the organization, and too inconsistently recorded for effective use. But now with powerful workstations, client server platforms, extensive networks, specialized software packages and extra-powerful database engines, technology is no longer the problem.

The single most important thing a company can do is to understand the needs of current and prospective customers by proper use of information readily available through their call centers. The laggards will have to do it to survive. The leaders will do it to become even more successful.

A well-implemented call center helps:

- retain current customers and attract new ones
- define and track what they value
- define and meet customer-perceived quality standards
- listen, then customize products and services
- anticipate the next hot product as articulated by the callers
- meet customer expectations by providing quick, accurate answers when needed by the customer
- maximize profits in the process

This sounds easy and, indeed, most companies will insist they are customer-focused, but those closest to the customer are the most successful. The good news for consultants is that few companies adequately utilize all existing information technology in their call centers, leaving a great deal of room for improvement.

The objective for improving the call center is often survival and/or growth. In any case, being internally focused will no longer work. Due to cost pressures, more and

more customer contacts will come through call centers and other electronic communications.

Information technology plays a very important role in addressing the call center business process. For example:

- The moderate cost and multi-function of information technology.
- Telecommunication technology now makes it possible to track customer preferences one at a time.
- Web and Internet services expand to reconfigure traditional customer information channels.
- The ability to integrate telephone and computer technology (including multimedia) provides new ways to support knowledge management accessibility in order to provide a prompt and accurate reply.

### **Opportunity Exists**

The ever-improving world of information/telecommunication technology accelerates change. Change creates opportunity. The new rules for business success allow nimble, customer-focused organizations to steal customers from existing giants. This creates opportunity for those who can assist companies to improve their call center through expert auditing and consulting and the efficient use of technology.

The site assessment is an entry vehicle to a client's call center environment. It is designed to document a call center's current use of information technology and people, and pinpoint opportunities for improvement and/or re-engineering. Because many call center functions grew in an unplanned manner, they are often struggling simply to answer calls. They have neither formal process for improving their plight, nor the vision for turning their call center into a "high-tech and high-touch" competitive advantage.

The site assessment may uncover the need for the following:

- expansion and upgrade of existing equipment
- improvement in standards, procedures, and policies
- quantifying and tracking customer service levels
- business process mapping for efficient workflow
- attracting, selecting and training quality staff
- management and people skills training
- a corporate culture change

Once the business issues are addressed, there are significant opportunities for implementing and supporting information technology, including:

- client/server computing applications from a customer point of view, as opposed to existing internal (i.e., product) perspectives
- computer telephone integration
- relational database implementation
- electronic distribution channels
- multimedia and the Web-based catalog
- imaging of product data and pictures
- call-pathing of inbound numbers

### **Capitalizing on the Opportunity**

It's easy to fall victim to old ways of thinking about customer contact; businesses do it and so do vendors. In these exciting times for technologies (with rapid advancements, increasing ease of use, and ever-improving price performance), those who have lived with technology should avoid the temptation to lead with technology. It may be trendy and alluring to discuss the latest chip, workstation, server or digital technology, but it is not the optimal decision factor to select a significant business initiative or solution.

To determine the value of growth or the cost of poor performance, conduct a full benchmark audit to measure and prioritize critical opportunities. Select a sound, tested survey to measure performance in operations, technology, human resources, cost, facilities, knowledge management, and customer service. Examine not only how to improve internal processes, but also run a peer-group comparison with at least 20-30 competitors in your market. Purdue University research from the Center for Customer-Driven Quality developed a benchmark methodology some years ago. Currently, the survey and core findings from this datamart of best practices are found at <[www.BenchmarkPortal.com](http://www.BenchmarkPortal.com)>. The custom peer-group reports that you will obtain for your center are essential management tools that prioritize optimal areas for change. See Appendix Z for the blueprint on Benchmarking.

---

## CHAPTER 9: COST/BENEFIT ANALYSIS, OR RETURN ON INVESTMENT (ROI) FOR CALL CENTER ENHANCEMENTS

---

### Why Should You Perform a Cost/Benefit Analysis?

Call center improvement initiatives should provide measurable benefits for customers, stakeholders, and shareholders alike. This is proven through improved financial results. Discussion of relative financial measures do not come easy to many call center managers. However, learning the language and performing the analysis used by your CFO will help you to gain respect, access, and resources over time.

### Defining ROI

Every chief executive officer has a fiduciary duty to maximize the return on every dollar of capital available to the company. Therefore, with a limited supply of capital for investments in process enhancements, every proposal for capital expenditure must be accompanied by a complete financial analysis demonstrating the expected return to the company of the proposed investment.

There are classically two ways to approach an ROI endeavor:

1. *Cost reduction and/or cost avoidance*

“Direct costs” are those expense items that can be directly attached to a product or service offered by the company, and that can also be easily tracked by the company’s accounting system. Indirect costs are those less tangible costs not as easily tracked by the accounting system and therefore often lumped as overhead.

Focusing on direct costs is the most common approach to ROI calculation and, is often used for call center information/telecommunication technology investments. Some common, direct cost savings are:

- increased productivity, which allows fewer agents to do more in less time
- implementing information technology that replaces the agent’s function altogether
- reduced telephone costs due to less time in the wait-queue.

ROI calculations of this type are common, straightforward and will not be discussed herein, even though we strongly recommend that they be used in conjunction with the ROI calculation techniques discussed below.

2. *Profits from new revenues generated*

This approach works well for some call center investments and focuses on the simple concept that (a) certain enhancements in customer service will result in retaining more customers, and that (b) retained customers will continue to purchase from us and produce profits. Our example below will focus only on this approach, since it is more subtle and less often taught in M.B.A. and other business education programs.

Prepare yourself for some resistance and criticism in this category of cost/benefit analysis, because some financial professionals find this approach more difficult to accept, less tangible, more difficult to measure or hard to tie directly into the project being considered.

3. *A combination of savings and earnings*

The combination of savings and earnings is nice, but one important design rule in calculating ROIs is “keep it simple” for the audience to understand and to believe.

By assisting your client in presenting a credible and well-documented ROI, you are substantially increasing the probability that the company you are consulting will actually implement your suggested call center enhancements. Ultimately, “hard-dollar” ROI arguments are what sell new technology investments. The approach that we are doing “good things” for our customers, also known as “soft money,” frequently does not convince top management to take action.

### **Revenue Elements to be Considered**

From our call center baseline survey research, we will have determined the process where the company’s performance is low and where the impact on customer satisfaction is high. The model that we need to develop for the company is: “If we invest in and improve the selected process, what will the increase in customer loyalty and re-purchase be worth in dollars and cents?” The data we need to determine added income value from this customer is

- the average number of purchases made each year and the profit margin per purchase, and
- the average number of years that a customer remains loyal to the company.

### **Cost Elements to be Considered**

The cost elements are determined by:

- a bill of materials with costs of all the pieces of the proposed information technology
- a cost estimate of the labor charges to install, train and maintain the information technology investment
- the cost of capital over the lifetime of the information technology to be implemented

### **Computing a Realistic ROI**

The computed ROI is simply the total profits divided by the total cost times 100 to state it in terms of a percentage. ROI for customer service investments of 50% to 200% are quite common. We suggest you use the ROI worksheet shown in Appendix X, which lends itself quite easily to a spreadsheet template.

In addition, when technology or process has been changed or updated, there is a tendency of management to discount the need for budgeting money for training employees in the new systems. In Appendix X there is a sample calculation on computing the ROI for training employees. This is a simple calculation to help executives understand that if they don't train people to use the new system, they won't use it, and the money spent on new technology and changes to process will virtually be wasted.