

# Differentiate Your Contact Center Consulting...

## ...with Activity-based TCO/ROI Analysis

By Brian Hinton, VP Product Mgmt, Primary Matters, Inc.

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In the late '90s, the market for contact center consulting services was booming. However, when the economic "downturn" hit, the market for technology and consulting assessments shrank. Skepticism surrounded technology investments. Discretionary budgets were reduced and decision making moved higher in most organizations. Now that the economy is improving, companies are, once again, investing in technology to improve productivity. However, there is still skepticism relating to investments in technology, especially when technology investment proposals include significant funds for consultants.

So even though funds are more available than in the last few years, the budgets have remained small. Final funding decisions on technology or organizational re-design investments remain at a higher level in the organization than in the late '90s. Additionally, Sr. VPs and CXOs often use different criteria than operations managers in making decisions.

To obtain funding for projects, the anticipated impact on the business must be obvious and measurable. Traditional (especially vendor provided) Total Cost of Ownership (TCO) and Return on Investment (ROI) approaches are not acceptable as upper management does not trust their methodology or results.

### An Opportunity to Differentiate

So where does this leave contact center consultants? Is there a market left for contact center experts to help operations managers make decisions and improve?

Without question, contact center consultants have an important role. The degree of expertise offered by many consultants is simply not available within many companies. However, the requirement for project deliverables has expanded, because the client has to approach project definition, funding requests and achieving post-implementation productivity much more seriously.

If the consultant delivers more than just the technical analysis in a project, they will offer greater value to their customer, differentiate themselves from other consultants, and establish a long-term relationship. The consultant who offers the skills and tools that respond to a customer's need to project and measure the business impact of a project will enhance their value.

### Enhancing the Value

To successfully close a project, consultants not only face competition from other consultants, but also face competition for their prospects' limited budget. Why hire a consultant...

- ...Instead of an employee?
- ...Instead of moving forward with the upgrade or implementation using available internal analysis?
- ...When productivity must be increased as quickly as possible?

These questions describe the environment in which contact center consultants position their value and must be answered to win significant contracts.

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Successful contact center consultants differentiate themselves by offering more value in their area of expertise by expanding the breadth and depth of their deliverables.

Consider the difference in these two sales presentations...

### **Consultant to Sr. VP Customer Care**

*"We are experts in this technical area, so when you are ready, bring us in and we'll design the project, prepare the RFP, select a vendor, and implement and test the application."*

Versus...

*"We are experts in this technical area, so when you are ready, bring us in and we'll design the project, prepare the RFP, select a vendor, and implement and test the application."*

*In addition, we will ensure the project is designed to meet the optimal Return on Investment and we will provide the financial analysis to support the funding request. The supporting documentation will include reports comparing projections of headcount, budget, and systems requirements and activity-based costs for each option. Complete TCO and ROI will also be provided for each option.*

*Lastly, we will establish metrics and collect data so that you can measure your organization as the project goes into production. Monitoring and managing these metrics after production will enable you to measure your progress towards the ROI goal to which you committed."*

Both approaches may result in a closed project, but adding the additional value offered by the second presentation will likely result in more timely and more frequent closures.

The question is then...do you have the tools necessary to differentiate yourself and deliver the answers promised?

### **Differentiating Your Contact Center Consulting Practice**

Most contact centers need help with project analysis: capital funding request/business case/ROI, RFP preparation and vendor selection. They also want to understand the benefit...from where does it come?...how do the internal processes change?...how do I quantify it?...what metrics need to be measured to ensure the benefit is realized? You can be the one-stop shop to answer the total question...solve the total problem.

Being able to be the one-stop shop may require that you expand the breadth and depth of your deliverable to include "more" than required. The "more" enables you to answer more than they expect...or more thoroughly answer what they expect. The "more" becomes what brings you back in the decision maker's mind when the next question is ready for analysis. The "more" becomes what prompts them to request add-on work. What is "more?"

Activity-based analysis is becoming the preferred method to credibly answer operations questions in contact centers. Len Lombardo, in *"Business-Process Innovation" Feb-03, Issue 16, Optimize*, stated, "Business processes exist in every corporate activity, from buying and selling, to delivering products and services, to interacting with customers and partners. Processes often help define a company's competitive advantage and provide opportunity to achieve strategic gains. What better way to hone a competitive edge than by converting inefficient activities into streamlined, structured processes that can be closely monitored to support business

innovations?" He was saying that credible analysis must begin with the processes impacted. Otherwise, everything is an estimate, assumption or guess.

Figure 1 shows an approach to activity-based analysis that will help you understand how activity-based analysis expands your deliverables. You start by determining what drives the volume of your client's work. Is it Members that call in for services? Is it customers that call in for support? Is it accounts that require servicing? Customers, members or accounts create your clients work volume.

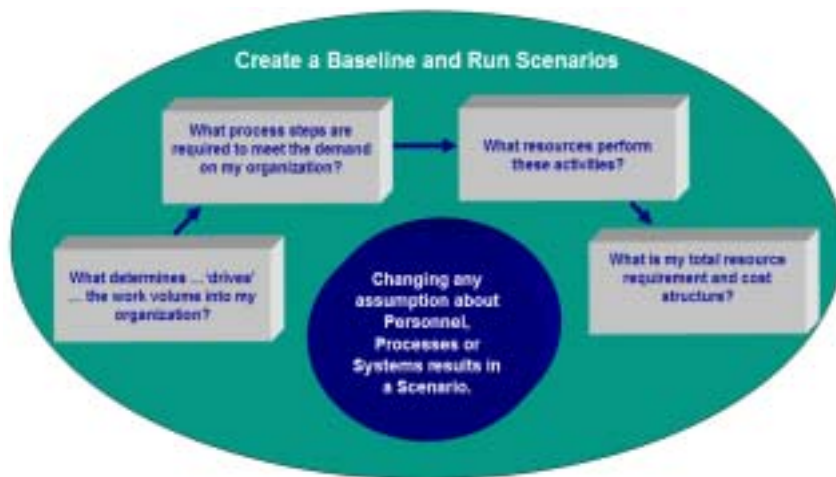


Figure 1  
An Activity-based Approach to Analysis

Once you define work volume, you must define the work that is required to meet your client's mission. Then you assign resources to perform the work that you have defined. The result is a complete understanding of your client's resource requirements...meaning headcount, systems and budget...to support the defined work. This view of resource requirements is broken out by work step so you have an unprecedented view of your client's cost structure...meaning the resource requirements driven by each work or process step.

You don't stop there as you are able to change the way you have defined the work steps, the people that perform the work, or the systems that those people use in performing the work. This "change" updates the total results and allows you to compare to the original results (or baseline) to see the resource impact of any initiative your client is considering.

You will be able to build credible, detailed business cases to support altering personnel strategies...such as, increasing wages to increase job duration or outsourcing personnel functions to improve the caliber of new hires. You will be able to build credible detailed business cases to support upgrading current technology or implementing new productivity technology...such as, Quality Monitoring, Speech Recognition or Voice over IP. You will be able to build credible, detailed business cases to support altering process steps to increase customer satisfaction while reducing costs...such as implementing Knowledge Management and Web-Customer Interface to reduce internal contact volume and reduce response time. By defining the source of costs and the source of benefits for any initiative and seeing the resource impact of the initiative, you are also able to use the benefit assumptions as a project success metric to monitor and report on after implementation as a measure of project success. Best of all, you can deliver this in days...not weeks or months.

The Primary Matters Guide® is an activity-based analysis tool. It enables a greater depth and breadth of analysis in minimal time. Our consulting partners agree that The Guide™ results in closing more projects sooner and establishing solid client relationships. Please visit our [website](#) and view the presentation "[Consultants! Win with a Primary Matters Partnership \(Parts 1 and 2\)](#)" for more information.

### Ensuring Credibility with Activity-based Analysis

There are several things that make activity-based analysis (scenario analysis, building business cases and producing ROI) much more credible than other methods.

First of all, the analysis is based on process. There is nothing benchmarked from an average of industries or organizations like your clients'. There is nothing summarized from the previous years general ledger.

As it is based on processes, the analysis uses a baseline that includes resource requirements...headcount, systems and budgets...projected out 3 years. The 3 year projection includes changes that are already being considered...volume growth resulting in resource projection increases or adding product lines to be supported. Contrast this with typical vendor ROI that give investment requirements based on a moment in time, with very little information about how the investment will change if your client's organization changes over the next three years.

Templates, where the cost of any initiative can be included, have data entry fields for all cost categories. This ensures all costs are included so you do not understate the investment.

The benefit for any initiative is built by changing assumptions about your personnel, processes or systems. This very specific and detailed definition of the benefit ensures that the benefit can be defined or stated; it ensures that all stakeholders agree on the source of benefit; and it enables the source of the benefit to become a metric that is monitored after implementation to ensure success.

You will produce for your client, detailed reports that allow a thorough understanding of how any initiative or scenario will change their operations plan through the change in resource requirements.

### **An Activity-based Analysis Example**

Your client is a manufacturer of highly technical "tools." They are experiencing 15% annual growth in new product sales and do not want the cost of support to increase linearly. They believe that they can reduce their cost of "tool" support by implementing a Knowledge Management System that will reduce total support contacts (due to web self-service), reduce the handle time for the remaining support contacts, and reduce research time involved in escalated contacts. The analysis is complicated by your client wanting to understand the costs and benefits of the Knowledge Management System projected for three years, including consideration of planned new product sales growth in the three-year projection period.

You start by modeling your client's baseline. You define their personnel categories, include their systems and model their activities. This results in baseline budget projections, headcount projections and activity-based costs considering the projected sales growth but without the Knowledge Management implementation. Figure 2 lists the activities that will be impacted by the Knowledge Management application.

New Customer and New User Questions
General Customer Support, multiple Issues
Feature Group A Customer Support
Feature Group B Customer Support

Figure 2  
List of Baseline Activities Impacted by Knowledge Management Implementation

You then alter the baseline data to complete the analysis (scenario) your client has requested.

1. You "include" the Knowledge Management System and select the template with the appropriate feature set. This causes the total cost of ownership (hardware/software investment (considering growth in the organization over time), implementation expense, integration expense, maintenance and ongoing operations expense) to flow into the budget in the appropriate months based on the selected production date. The license

- demand for the Knowledge Management software is driven by the headcount projections (which, in turn are driven by the modeled activities).
2. You enter a marketing/training expense to educate your client's agents and customers on using the Knowledge Management System. This continues for a year after production.
  3. In the Figure 2 activities you reduce:
    - a. The appropriate support contact volume by 20% phased in over the first year after production.
    - b. The handle time for appropriate support contacts by 15% phased in over the first year.
    - c. The volume of escalated contacts by 10% phased in over the first year.
    - d. Research time by 25% phased in over the first year.

The total data entry, in the activity-based analysis tool, takes less than an hour and all of the results are immediately updated and ready to compare to the baseline. It would take days or weeks to complete this analysis without the appropriate tool. It would most likely be impossible to consider all the co-elasticity and dependent impact issues without the appropriate tool. For instance, the headcount required for product support is increasing due to the increased sales volume. The Knowledge Management System enables processes and volumes to be changed, which will reduce the headcount projection so the demand for Knowledge Management licenses will be driven by this new, reduced headcount demand. The typical approach is to base systems cost on current headcount, which does not produce a true TCO on which to base your ROI calculation. Additionally, the process change is a hierarchy of changes that must all be considered. The volume of escalations is reduced, first, by an overall reduction in the number of incoming calls. Then this reduced number of escalations is further reduced due to the increased knowledge of the Level 1 agents.

Figure 3 shows the three-year TCO for the Knowledge Management System with all the considerations described above included.

Individual System Budget (\$000's)															
	Knowledge Management				Advanced Search Technology, Automated Workflow and QM										
Cash Flow Budget:	Q1FY05	Q2FY05	Q3FY05	Q4FY05	Year 1	Q1FY06	Q2FY06	Q3FY06	Q4FY06	Year 2	Q1FY07	Q2FY07	Q3FY07	Q4FY07	Year 3
System Purchase:															
Cash Investment	--	2,081.8	8.8	13	2,086.5	75.8	3.8	38.8	204.8	284.8	52.5	43.5	43.5	186.5	336.8
Lease:	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Down Payment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Principal	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Lease/License	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Start-up Expense	--	72.8	--	--	72.8	--	--	--	80.8	88.8	--	--	--	88.8	80.8
Internal SF Expense	58.8	58.8	--	--	20.8	--	--	--	--	--	--	--	--	--	--
External SF Expense	48.8	48.8	--	--	88.8	--	--	--	--	--	--	--	--	--	--
Chargeback/Assessment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
External Services	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Maintenance	--	74.8	75.3	75.3	225.3	75.8	76.1	77.1	88.7	389.8	88.7	88.3	89.3	97.3	382.1
<b>Total Cash Outflow</b>	<b>58.8</b>	<b>2,198.8</b>	<b>81.3</b>	<b>78.8</b>	<b>2,406.6</b>	<b>80.8</b>	<b>85.1</b>	<b>113.1</b>	<b>294.7</b>	<b>583.6</b>	<b>138.7</b>	<b>131.8</b>	<b>133.4</b>	<b>383.8</b>	<b>788.1</b>
Operating Budget	Q1FY05	Q2FY05	Q3FY05	Q4FY05	Year 1	Q1FY06	Q2FY06	Q3FY06	Q4FY06	Year 2	Q1FY07	Q2FY07	Q3FY07	Q4FY07	Year 3
System Purchase:															
Depreciation	--	39.5	88.4	88.4	306.2	89.8	89.4	82.8	89.8	412.3	75.8	77.7	79.3	73.7	482.8
Interest	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Lease/License	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Start-up Expense	--	72.8	--	--	72.8	--	--	--	80.8	88.8	--	--	--	88.8	80.8
Internal SF Expense	58.8	58.8	--	--	20.8	--	--	--	--	--	--	--	--	--	--
External SF Expense	48.8	48.8	--	--	88.8	--	--	--	--	--	--	--	--	--	--
Chargeback/Assessment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
External Services	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Maintenance Expense	--	74.8	75.3	75.3	225.3	75.8	76.1	77.1	88.7	389.8	88.7	88.3	89.3	97.3	382.1
<b>Total Expenses</b>	<b>58.8</b>	<b>281.8</b>	<b>175.8</b>	<b>175.7</b>	<b>836.3</b>	<b>165.8</b>	<b>175.5</b>	<b>179.8</b>	<b>198.3</b>	<b>732.5</b>	<b>202.2</b>	<b>206.8</b>	<b>209.8</b>	<b>236.9</b>	<b>854.9</b>
Operators Personnel	--	308.3	405.5	432.3	1,126.8	424.1	439.8	458.3	478.7	1,781.8	508.3	520.5	535.9	563.4	2,088.1
<b>TOTAL Cost of Ownership:</b>	<b>Q1FY05</b>	<b>Q2FY05</b>	<b>Q3FY05</b>	<b>Q4FY05</b>	<b>Year 1</b>	<b>Q1FY06</b>	<b>Q2FY06</b>	<b>Q3FY06</b>	<b>Q4FY06</b>	<b>Year 2</b>	<b>Q1FY07</b>	<b>Q2FY07</b>	<b>Q3FY07</b>	<b>Q4FY07</b>	<b>Year 3</b>
Cash Budget	58.8	2,508.9	488.7	485.1	3,532.7	514.3	515.7	563.4	771.4	2,365.4	847.4	883.3	890.3	887.2	2,888.2
Operating Budget	58.8	385.2	581.1	589.9	1,824.2	689.3	689.1	528.2	875.8	2,524.2	785.5	727.5	786.7	829.4	3,822.0
<b>TOTAL Three-Year Budget</b>															
Cash Budget	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating Budget	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Figure 3  
Three-year Total Cost of Ownership for the  
Knowledge Management Application

Figure 4 shows the ROI Report which includes the projected headcount difference between the Baseline and the Knowledge Management Scenario, the cash budget difference, the TCO detailed in Figure 3, the annual ROI, the fully-discounted present value of the investment, the net present value of the cashflow and the fully-discounted three-year ROI.



Figure 4  
ROI for the Knowledge Management Implementation

Figure 5 shows the breakeven timeframe based on the ROI Report in Figure 4.



Figure 5  
Breakeven Graph

## Conclusion

There is a market...an extremely large market...for contact center consultants. Contact center managers use consultants to help make decisions on the technology in which to invest and the appropriate vendors. They want to know specifics about the source of the benefit and have the benefit quantified. There is a need for the experts to assist the operations managers in improving their ability to generate credible ROI/TCO that will result in project funding and the ability to measure the results after implementation. Activity-based analysis is a differentiator that enables greater depth and breadth in your analysis. It allows you to deliver more than the other consultants being considered and certainly more than your prospects can do themselves. Activity-based analysis encourages your prospects to allocate some of their limited budget dollars to you. An activity-based analysis tool allows you to answer the unanswerable in minimal time, differentiating your deliverable and solidifying your long-term relationship with your client.

For more information, please, link to the following resources:

[Consultants! Win with a Primary Matters Partnership \(Part 1\)](#), February 2005, Narrated Presentation

[Consultants! Win with a Primary Matters Partnership \(Part 2\)](#), February 2005, Narrated Presentation

[Why Upper Management Doesn't Trust Project TCO and ROI Analyses](#), May 2004, White Paper

[Business Impact and ROI Analyses that Support Project Funding](#), November 2003, White Paper