

By Brian Hinton, President, Primary Matters, Inc. July 2006

### ROI Analysis

Analysis in this article is based on detailed interviews with a representative sample of ICMI clients. The stated benefits of the Consulting Assessments are supported by specific changes in monitored metrics experienced by ICMI clients.

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### The Primary Matters Guide®

The Primary Matters Guide® is Primary Matters' activity-based application used to produce the analysis contained in this paper. Please visit our website to view our [Narrated Presentations](#) which will provide a detailed understanding of the value activity-based analysis and The Guide™ can add to your organization.

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In order for a call center to run efficiently, many variables must be balanced by management. Volumes must be projected accurately. Required resources, meaning headcount, budget dollars and tools used in achieving the center's mission, must be planned for and utilized effectively. When all of the variables are functioning in harmony, the result is motivated, successful employees and satisfied, loyal customers. It all adds up to a successful business model.

In the real world, that perfect balance is rare. It is more often the case that a call center is performing its base function but there is a vague sense that something is amiss. Symptoms of problems persist but it is difficult to identify the underlying root cause. If any action is taken, it is usually focused on short-term reaction to symptoms and leads to no measurable improvement in overall center performance. It is difficult to identify problems and implement solutions that result in taking performance to the next level.

These call center managers know just what I am talking about.

*"We lacked confidence that we were handling things efficiently. Our budgeting process was a nightmare and we didn't trust the numbers. We reviewed a great deal of data but weren't really doing anything with it. We didn't know which metrics were our real Key Performance Indicators. We had grown to a size that we knew we needed some help."* Director, Customer Care

*"Our employee retention was bad. We were losing agents faster than we could hire them. Our abandon rates were through the roof. Morale was low. We were fairly new to the "we're a call center" idea so we needed some way to know if we were targeting the right areas for improvement."* Director, Center Sales Operations

*"We were experiencing high abandon rates and our customers were letting us know how dissatisfied they were with our service. We knew there had to be a better solution than to just keep hiring more agents so we could handle more calls."* Director, Customer Service

The previous quotes come from clients of the International Customer Management Institute (ICMI) that benefited from ICMI's experienced consultants performing a Call Center Assessment on their center. All ICMI Assessment clients agree that...

- **You are not alone.**
- **There is a solution.**

## ICMI to the Rescue

ICMI knows that many call centers are living with some or all of the following...

1. A sense that something is amiss,
2. A desire to take performance to the next level,
3. A realization that they are a call center,
4. A realization that help is available,
5. Poor customer satisfaction,
6. An inability to consistently meet service level objectives,
7. High attrition,
8. Lots of technology that is not being used to its full potential,
9. A plethora of data but no clear success metrics,
10. External pressure to "get it right,"
11. Symptoms of larger problems, but an inability to identify the deeper cause,  
or
12. A new center manager with many issues to address and the need to come up with an action plan to improve.

ICMI's Call Center Assessment provides leadership with a way out of the downward spiral described above. The Assessment pinpoints the problems...the root causes. ICMI, through the Assessment, transfers required knowledge and provides specific action steps to solutions.

ICMI's experienced consultants review each of the following areas looking for gaps between the actual and the desired state:

Strategy	Customer Satisfaction	Employee Satisfaction
Quality Assurance	Coaching	Training
Hiring	Workforce Management	Staff Utilization
Call Routing	Process Improvement	Technology
Disaster Recovery		Financial Performance

Clients of ICMI Call Center Assessments receive a report of the analysis and a plan of action outlining assessment results, recommendations and options.

Several months after receiving their recommendations and action plan from an ICMI Call Center Assessment, the same managers quoted above told a different story.

*“Even with service work increasing over our sales calls as a percentage of total call center work, due to internet ordering, we have actually reduced our core Customer Service FTEs as a result of implementing the recommendations from our assessment. Two years later, we are still referring to the summary and action steps as we move forward.”* Director, Customer Care

*“We have not lost an agent in months. We are rewarding and hiring agents differently. Our abandon rate has improved. We have added personnel and technology. We have improved our overall bottom line. There were certain functionalities we lacked, as far as technology, middle management, pay structure, performance reviews, incentives, etc. ICMI showed us the importance of these things we were lacking.”* Director, Center Sales Operations

*“We learned how to accurately estimate capacity for potential (forecasted) volume. We completely changed our performance measures, clearly defined what our performance goal should be and managed to that. We designated KPIs as goals or as metrics to be monitored. We determined our true volumes and how to handle that true volume most efficiently. You can’t plan or project anything until you understand this. If we have new issues or a twist on the “old” issues, we will contact our ICMI consultant.”* Director, Customer Service

It can be difficult for the manager of a center to justify the expense of an assessment to the decision makers. ICMI’s Assessment clients have experienced extremely positive Returns on the Investment in the Assessment. Their results can help you justify funding and will show you the metrics to monitor to ensure you achieve a bottom-line, financial impact.

### **Return on an Investment in an ICMI Call Center Assessment**

An Assessment provides significant value for any center experiencing any or all of the issues described above. As such, ICMI Assessment clients are extremely varied. There is no easy description of a typical client that will enable a prospect to say, “That’s me” or, “That’s not me.” Let’s look at three centers performing different functions, experiencing different symptoms and delivered different paths to solutions. I am sure you will be able to see, by reviewing the analysis, that an ICMI Assessment would have a positive, financial impact on your bottom-line.

The table below details the functions of the three centers and the assumptions about each used in the analysis.

## Pre-assessment Assumptions

Variable	Order-processing and Customer Service	Order-processing Experiencing Rapid Growth	Financial Service
Agents	100	23	40
Hourly Wage	\$11.50	\$13.00	\$14.90
New Employee Training Days	5	5	60
New Hire Costs (HR)	\$2,000	\$2,000	\$2,000
Average Job Duration	60 months	6 months	60 months
Occupancy	75%	90%	80%
Abandon Rate	20%	40%	10.5%
Service Level	67% in 20 seconds	Low	50% in 20 Seconds
Growth Rate	5%	40%	5%
Conversion Rate	75%	11.5%	N/A
Revenue per Call	\$25	\$710	N/A
<b>1<sup>st</sup> Year ROI</b>	<b>2,678%</b>	<b>5,108%</b>	<b>199%</b>
<b>3-year ROI</b>	<b>7,950%</b>	<b>20,085%</b>	<b>786%</b>
Investment *	\$47,500	\$47,500	\$47,500

\*See the Conclusion of this paper for a discussion of pricing options or contact ICMI.

## Post-assessment ROI

	Order-processing and Customer Service	Order-processing Experiencing Rapid Growth	Financial Service
<b>1<sup>st</sup> Year ROI</b>	<b>2,678%</b>	<b>5,108%</b>	<b>199%</b>
<b>3-year ROI</b>	<b>7,950%</b>	<b>20,085%</b>	<b>786%</b>

The three centers modeled are all representative of ICMI's typical Assessment client. Their results are representative of what you can expect. We should examine the results in more detail so you can generalize the value to your organization.

### Order-processing and Customer Service

The call center described in this analysis receives two types of calls. They receive calls through which orders are placed, and calls that require servicing accounts or orders. The work and the agents are split 50/50 between sales and service. You can see from the assumptions detailed above that the center was experiencing low agent occupancy, high abandon rates, and low service levels.

The following table details the improvement in specific variables.

### Post-assessment Variable Change

Variable	Order-processing and Customer Service	ROI Driver
Occupancy	Increased to 85%	Service: Staff reduction. Sales: Handling more calls with the same staff.
Abandon Rate	Decreased to 5%	Sales: Increased call volume, resulting in increased revenue.
Service Level	75% in 20 seconds	Customer Retention.

The ROI is driven by different variables in sales and service. In service, improved efficiency has enabled a reduction in staff even though more calls are being handled (reduced abandons). In sales, the same number of agents is handling more calls (reduced abandons). Since the conversion rate and revenue per call has remained constant, revenue has increased with no commiserate increase in expenses to produce that revenue.

The source of the improvement in the variables listed is:

1. Scheduling workforce by skill (and other scheduling improvements).
2. Improving call routing which reduced transfers and increased first call resolution.
3. Focusing on schedule adherence.
4. Monitoring service level in intervals.
5. Improving budget credibility.

The following ROI Report details the results.

Return on Investment (ROI)												
Headcount Comparison												
	Q1FY07	Q2FY07	Q3FY07	Q4FY07	Q1FY08	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09	Q3FY09	Q4FY09
Baseline Variable Employees	96	98	99	100	101	103	104	105	107	108	109	111
Scenario Variable Employees	103	100	96	97	97	98	99	101	102	103	104	106
Personnel Reduction	(7)	(3)	2	3	4	5	5	5	5	5	5	5
Investment and Expenses - Total Cost of Ownership (TCO)												
Total	\$ 47,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Summary Financial Results in \$000's												
Baseline Net (Revenue - Expenses)	\$ 845	\$ 859	\$ 877	\$ 886	\$ 898	\$ 908	\$ 922	\$ 933	\$ 944	\$ 956	\$ 970	\$ 982
Scenario Net (Revenue - Expenses)	\$ 1,074	\$ 1,180	\$ 1,239	\$ 1,246	\$ 1,279	\$ 1,296	\$ 1,313	\$ 1,330	\$ 1,346	\$ 1,364	\$ 1,380	\$ 1,398
Savings	\$230	\$321	\$362	\$359	\$381	\$388	\$391	\$397	\$401	\$407	\$410	\$416
Cumulative Savings	\$230	\$550	\$912	\$1,272	\$1,653	\$2,041	\$2,432	\$2,829	\$3,230	\$3,638	\$4,047	\$4,463
Annual Net Cash Budget (Revenue - Expenses) Comparison												
		Year 1	Year 2	Year 3								
Baseline		\$3,466,842	\$3,661,520	\$3,852,622								
ICMI Assessment		\$4,738,776	\$5,218,420	\$5,487,086								
Annual Cashflow Savings due to Initiative		\$1,271,934	\$1,556,900	\$1,634,465								
Investment/TCO		\$47,500	\$0	\$0								
Cumulative Return on Investment/TCO for ICMI Assessment Scenario		2678%	5955%	9396%								
Discount Rate	15.00%	PV of Investment/TCO	\$40,375	NPV of Cashflow	\$3,209,770	ROI	7950%					

## Order-processing Experiencing Rapid Growth

The order-processing center used in the analysis receives incoming calls where the caller is interested in purchasing but the agent must “close the sale.” The conversion rate is lower than the conversion rate used for the center in the previous analysis but the revenue per converted call is much higher. The center is experiencing high abandon rates and high agent attrition. The rapid growth experienced by this center leaves the center constantly understaffed to handle the increased call volumes. Agents are overworked and the abandoned calls mean lost revenue. It is difficult for any center to be prepared to manage the constant volume growth this center is expected to handle.

The following table details the improvement in specific variables.

### Post-assessment Variable Change

Variable	Order-processing Experiencing Rapid Growth	ROI Driver
Occupancy	Reduced to 85%	Staff increases. (?)
Abandon Rate	Decreased to 30%	Increased call volume. Increased Revenue.

Average Job Duration	Increased to 12 months	Slight staff reduction.
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This center increased their staff in order to handle the rapid growth. The increased staff is being used to reduce abandons and be available to handle expected growth. The center is still working to find the right balance between agent occupancy/efficiency and expected growth, the goal being to reduce abandons even further. Center management is now planning pro-actively rather than being reactive and constantly playing “catch up.”

Another benefit is that the agents are happier and agent attrition has improved. This has led to an increase in productivity resulting in a staff reduction of 4%...an important consequence.

The source of the improvement in the variables listed is:

1. Formal call center planning, metrics and processes.
2. Relating accurate volume projections to staffing.
3. Schedule adherence.

The following ROI Report details the results.

Return on Investment (ROI)												
Headcount Comparison												
	01FY07	02FY07	03FY07	04FY07	01FY08	02FY08	03FY08	04FY08	01FY09	02FY09	03FY09	04FY09
Baseline Variable Employees	25	28	31	34	38	41	46	50	56	61	68	75
Scenario Variable Employees	30	34	38	41	46	50	55	61	67	74	82	91
Personnel Reduction	(4)	(6)	(7)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(16)
Investment and Expenses - Total Cost of Ownership (TCO)												
Total	\$ 47,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Summary Financial Results in \$000's												
Baseline Net (Revenue - Expenses)	\$ 3,185	\$ 3,522	\$ 3,888	\$ 4,291	\$ 4,727	\$ 5,226	\$ 5,768	\$ 6,365	\$ 7,020	\$ 7,744	\$ 8,555	\$ 9,446
Scenario Net (Revenue - Expenses)	\$ 3,669	\$ 4,103	\$ 4,531	\$ 5,011	\$ 5,524	\$ 6,101	\$ 6,737	\$ 7,428	\$ 8,193	\$ 9,049	\$ 9,984	\$ 11,027
Savings	\$484	\$581	\$642	\$719	\$797	\$875	\$969	\$1,063	\$1,174	\$1,305	\$1,429	\$1,581
Cumulative Savings	\$484	\$1,065	\$1,707	\$2,426	\$3,223	\$4,098	\$5,067	\$6,130	\$7,304	\$8,609	\$10,038	\$11,619
Annual Net Cash Budget (Revenue - Expenses) Comparison												
		Year 1	Year 2	Year 3								
Baseline		\$14,886,992	\$22,085,512	\$32,764,834								
Reduced Abandons		\$17,313,111	\$25,789,759	\$38,253,317								
Annual Cashflow Savings due to Initiative		\$2,426,119	\$3,704,247	\$5,488,483								
Investment/TCO		\$47,500	\$0	\$0								
Cumulative Return on Investment/TCO for Reduced Abandons Scenario		5108%	12906%	24461%								
Discount Rate	15.00%	PV of Investment/TCO	\$40,375	NPV of Cashflow	\$8,109,135	ROI	20085%					

## Financial Service

The financial call center modeled in the analysis provides typical account servicing that one would find at any bank or credit union. The center was

experiencing low efficiency and high abandon rates resulting in a poor service level.

The following table details the improvement in specific variables.

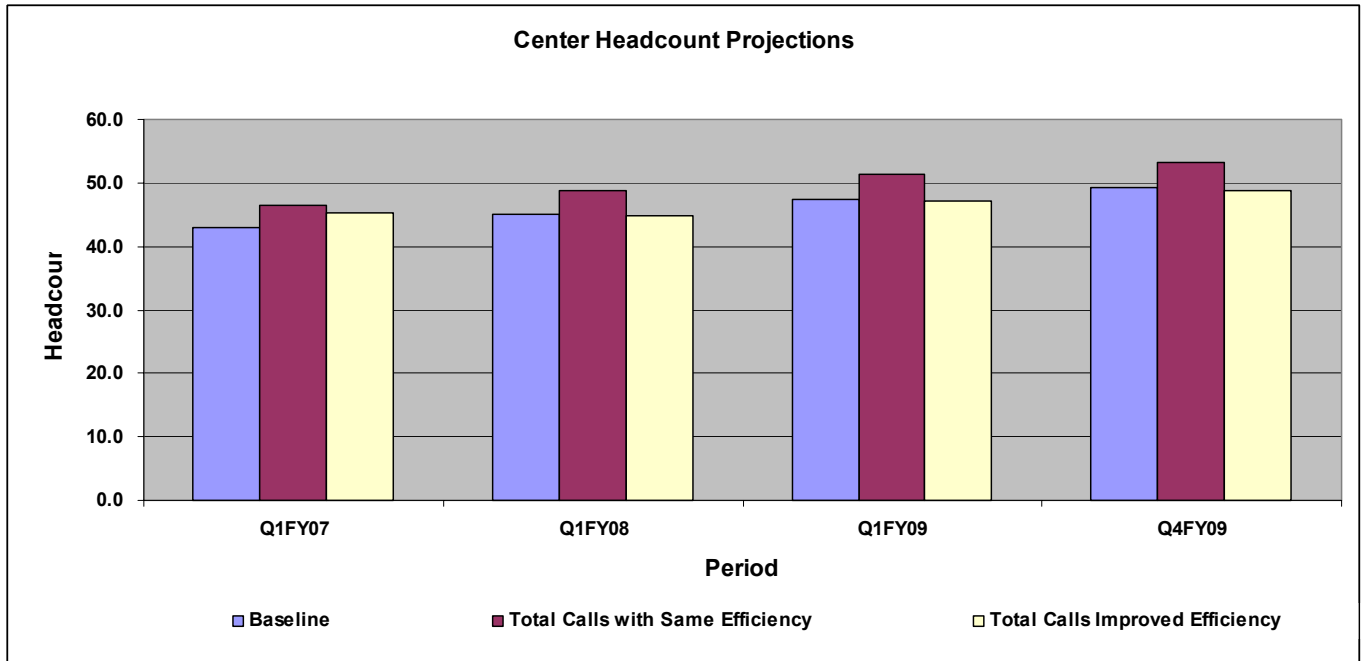
### Post-assessment Variable Change

Variable	Financial Service	ROI Driver
Occupancy	Increased to 87%	Staff reduction.
Abandon Rate	Decreased to 3%	Increased call volume. (?) Improved Customer Satisfaction.
Service Level	Greatly Improved	Customer Retention.

This organization understood the benefit of the ICMI assessment but didn't believe they had experienced a positive return on investment. On the surface, costs increased since they had actually increased staff to handle the increased call volume driven by the improved abandon rate.

To understand the full financial impact, we have to add an analysis step to the ROI calculation. As the Director, Customer Service stated, *"You can't plan or project anything until you understand your true volumes."* You must first model the center handling the "true" volume after abandons are under control. Then compare this updated "baseline" with the current (more efficient) staff required to handle that same increased volume. This method produces the accurate and very positive ROI. It is important to remember that you can project a return on an investment in a call center even when it doesn't involve an increase in revenue...when the center is not considered revenue-producing.

The chart below details the headcount projections over a three-year projection period beginning with the first quarter of fiscal year '07 through the 4<sup>th</sup> quarter of fiscal year '09. The chart includes the projections for the headcount required with the current efficiency and abandon rate considering a 5% growth rate. You can compare the headcount increase that would be required to handle the "true" call volume with reduced abandons given the current efficiency. You can also compare the actual headcount that will now be required given that abandons are under control so the center now has accurate figures to use in projections, and the efficiency has been improved to enable an overall staff reduction.



The source of the improvement in the variables listed is:

1. Improved credibility in resource projections to avoid ad hoc budget cuts.
2. Improved monitored metrics so volume forecasts and schedules were aligned and accurate.
3. Balanced volume projections, service level, and abandon rates as KPIs.
4. Added Erlang concepts to scheduling.

The following ROI Report details the results.

Return on Investment (ROI)												
Headcount Comparison												
	01FY07	02FY07	03FY07	04FY07	01FY08	02FY08	03FY08	04FY08	01FY09	02FY09	03FY09	04FY09
Baseline Variable Employees	46	47	48	48	49	49	50	51	51	52	53	53
Scenario Variable Employees	45	43	44	44	45	45	46	47	47	48	48	49
Personnel Reduction	1	4	4	4	4	4	4	4	4	4	4	4
Investment and Expenses - Total Cost of Ownership (TCO)												
Total	\$ 47,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Summary Financial Results in \$000's												
Baseline Budget (Expenses Only)	\$ 539	\$ 538	\$ 545	\$ 553	\$ 559	\$ 566	\$ 573	\$ 579	\$ 587	\$ 595	\$ 602	\$ 607
Scenario Budget (Expenses Only)	\$ 569	\$ 497	\$ 505	\$ 511	\$ 517	\$ 523	\$ 529	\$ 537	\$ 543	\$ 550	\$ 556	\$ 559
Savings	(\$30)	\$41	\$41	\$42	\$42	\$43	\$44	\$42	\$45	\$44	\$45	\$48
Cumulative Savings	(\$30)	\$11	\$52	\$95	\$137	\$180	\$224	\$267	\$312	\$356	\$401	\$450
Annual Cash Budget (Expenses Only) Comparison												
		Year 1	Year 2	Year 3								
Total Calls with Same Efficiency		\$2,175,516	\$2,276,872	\$2,391,018								
Total Calls Improved Efficiency		\$2,080,928	\$2,104,606	\$2,208,146								
Annual Cashflow Savings due to Initiative		\$94,588	\$172,265	\$182,872								
Investment/TCO		\$47,500	\$0	\$0								
Cumulative Return on Investment/TCO for Total Calls Improved Efficiency Scenario		199%	562%	947%								
Discount Rate <input type="text" value="15.00%"/>	PV of Investment/TCO	\$40,375	NPV of Cashflow	\$317,168	ROI	786%						

## Conclusion

ICMI Call Center Assessment clients are given the tools to create a planning culture rather than a reactive culture...tools that teach them to use KPI metrics to identify the root causes of problems leading to real center change rather than treating symptoms.

ICMI offers a *QuickView* Assessment that can reduce the cost. However, the Returns on the Investment in a full ICMI Call Center Assessment achieved by a representative sampling of ICMI clients reveals that the full assessment is extremely valuable and delivers a quick payback. The full assessment adds significant value by including a detailed action plan that a large majority of ICMI clients stated specifically was still being used as a roadmap months after the assessment was completed.

As the Director, Workforce Planning for the Financial Services Department of a large retail chain stated, *"The Assessment improved the call center credibility within the entire organization. Contentious battles have disappeared. Projections are trusted. Decisions are made more quickly and initiatives are implemented faster. We achieve our projected productivity improvements sooner."*

He believed that even without the improvement in processes, planning and metrics...this alone made the Assessment worthwhile.

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