

WHITE PAPER | CUSTOMER SATISFACTION

Determining the right service level requirement for your contact centre.



Introduction

Do you find yourself awake at night, ruminating about whether the service level offered by your contact centre is sufficient in terms of customer satisfaction? Do you follow an industry standard? If so, what is that standard? How well does that standard work for you? Actually, it is rather startling to realise that, in fact, established service levels benchmarks for contact centres are lacking or practically non-existent. This fact seems to hold true, no matter the industry or service type.

Without going into the whys and wherefores, the more pressing issue that emerges is how then do you go about determining the right service level requirement for your business? Without an analysis of your customer wait-time tolerance, your business will have an undefined variable insofar as determining influencing factors for customer and employee satisfaction, as well as quality scoring. If your business is not optimised or optimally staffed, this could potentially have adverse implications on operational expenses – particularly so on your salary base.

Abstract

This white paper attempts to demonstrate how to establish the right service level benchmark for your business – and one that is aligned with your operational budget costs. Two cases are examined and an analysis approach applied. The results show that you can move the needle of the service level up or down and have clear knowledge of the financial implications in order to make more informed decisions about the service level you want your customers to experience. Additional or alternate considerations for measuring appropriate service level benchmarks conclude this white paper.

Right-size the service level for your business

The aim is to right-size the service level for your environment so that you meet the needs of your customers while, at the same time, you optimise operational expenses – especially the salary base. The service level is expressed in a percentage and calculated as follows:

Answered calls within your service level divided by
the number of *offered calls*

What you want to determine is the breakeven point, the so-called sweet spot where you are able to optimise your service level, meet the needs of your customers and do so efficiently in terms of your overhead costs. Two very different work streams are examined here where customer hold-time tolerance

Case Examinations Focus

Balancing operational expense with customer focus

- Assessing customer hold time tolerance
- Measure impact on service level
- Measuring impact on FTE requirement
- Optimising service level requirement used in staff model
- Operation expense savings
 - Sourcing, onboarding training, salary.
 - Revenue per call

is assessed as well as its impact on the service level assumed at different levels. The results are translated in terms of the added expense of taking on or savings made of full-time equivalent (FTE) requirements.

Of importance is to understand the particular environment the organisation is operating in so as to be able to accurately determine the right resource investment for the customer service experience you want to offer. Environments can be viewed through different lenses: by customer type, customer demographics, time of service, business unit, channel type or any combination of these.

Each of these environments has a particular influence on the customer-patience threshold. An example illustrating this is customers calling emergency services or their insurance company: they will wait a lot longer in these queues than when calling a pizza shop for delivery. The outcomes of two sample test cases are presented with one performed in a customer-service environment; the other in a sales-focused environment.



Overview of outcomes of two sample cases

Figure 1: Test Case 1 – Customer Service

- Net savings of \$1,564.26 per month
- Reduced service level assumption by 10 per cent
- Reduced Full-Time Equivalent (FTE) requirement by 1 count
- Average time to Abandonment (ABND) impact > 15sec

Figure 2: Test Case 2 – Sales

- Net savings of \$16,041.88 per month
- Increased service level assumption by 5 per cent
- Increased Full-time Equivalent (FTE) requirement by 2 counts
- Average time to Abandonment (ABND) impact > 45sec

In the first test case (Figure 1), the customer hold-time tolerance was examined and the service level reduced by 10 per cent, which equates to not requiring one full headcount and therefore netting savings of \$1,564.26 per month. Yet the average time to abandonment was just 15 seconds, meaning customers hung up 15 seconds earlier than before – marginal at best. So, do the savings justify a 15-second-sooner abandonment? Armed with clear information, you are now able to make an informed decision. If implementing the change, the subsequent performance must be checked. Is that, by the way, actively being measured today?

In the second test case (Figure 2), a very different scenario emerges in the sales-focused environment, where net savings amount to \$16,041.89 per month. Rather than reducing the service level assumption, here it was increased by five per cent, which requires bringing on board two more full headcounts (an increase of FTE requirements by two counts) to better service customers.

Two basic test model case scenarios

Figure 3: Customer service environment

- Monthly volume forecast: 120,000 calls
- Work week: 40 hours (all full-time staff)
- Net work days: 21 – no holiday pay assumed
- Average salary per annum: \$31,500
- Revenue per call: \$1.12
- Sourcing, onboarding and training costs: not calculated
- Average Handle Time (AHT): 375 seconds
- Shrinkage rate: 22%
- Occupancy rate (OCC): 88%

Figure 4: Sales environment

- Monthly volume forecast: 48,000 calls
- Work week: 40 hours (all full-time staff)
- Net work days: 21 – no holiday pay assumed
- Average salary per annum \$48,700 – commission not calculated
- Revenue per call: \$34.24
- Sourcing, onboarding and training costs: not calculated
- Average Handle Time (AHT): 1,350 seconds
- Shrinkage rate: 15%
- Occupancy rate (OCC): 92%

What was tested?

In these two basic scenarios, the objective is to put a value on each handled call and each abandoned call. This value could look the same in some cases but very different in others. For example, the value of a call answered versus that of a call abandoned looks very different in a customer service scenario and a sales-focused environment, as you will soon witness.

In both scenarios, sourcing, onboarding and training costs associated with either increasing or decreasing the required number of headcounts to fulfil these models were excluded from the calculations. By walking through the two models (Figure 3 and 4),

we see that in the customer service model (Figure 3), the monthly volume of calls amounts to 120,000, based on the following parameters:

- An average handle time (AHT) of 375 seconds (i.e. the amount of time it takes on average to handle a contact to completion, including *talk time* plus *after call work* time, calculated by dividing the total seconds of the agents *handling time* by number of agent *answered calls*).
- A shrinkage rate of 22 per cent (i.e. loss of resources due to unplanned *absence* from the work place; e.g. sick leave);
- An occupancy (OCC) rate of 88 per cent (i.e. *ready time* an *agent* spends actively handling contacts; e.g. incoming calls, *after call work*, and outbound calls).

When comparing these two different environments (See Figures 3 and 4) some striking differences emerge. Other parameters being equal, in the sales environment, we see a marked reduction in the volume of calls: 48,000 versus 120,000 calls. The salary is higher: \$31,500 versus \$48,700 (not accounting for commissions). But the most striking difference is the amount of revenue generated per call: \$1.12 versus \$34.24.

As you can see, the type of business or environment you operate in plays a major role in determining the cost or value generated per call. Considerations: Do the calls generate revenue? What is the net calculation of the cost of overhead divided by the revenue these calls generated? Does the revenue include fees, dues, or the like? Is there a difference between the value of an answered call and the cost of an abandoned call, or a call that doesn't come back? These are the different takes or angles that should be considered and applied when doing an analysis.

When comparing the sales model to the customer-service model, a markedly higher handle time for the calls of the former is noted: 1,350 seconds versus 375 seconds. The shrinkage rate is lower: 15 versus 22 per cent (perhaps a function of commissions?) and the occupancy rate is higher: 92 versus 88 per cent.

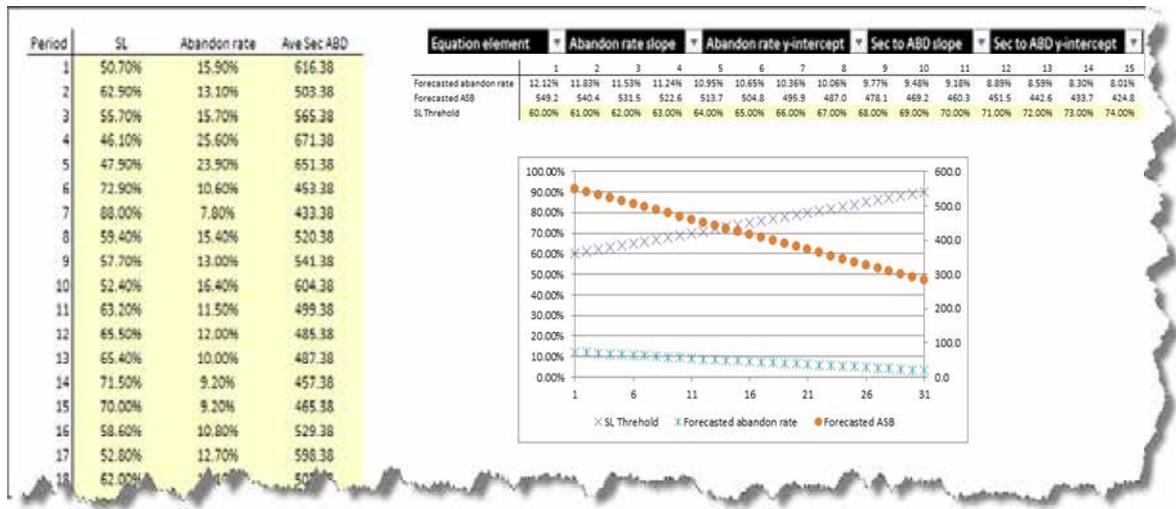
What follows is a description of the methodology applied to analyse these variables. **Figure 5** shows a regression model that takes into account the service level (SL), the abandon rate and the average abandon time in seconds (AveSec ABD). The aim is to identify the relationship among these variables, the statistics of which are pulled in from long-term historical information, provided by your Automatic Call Distributor (ACD). The SL, abandon rate and AveSec ABD are then correlated in that environment, with a regression

analysis showing the slopes and intercepts for the abandon rate and AveSec ABD in relation to the SL. In general, the more historical data pulled in, the better. Calculations may be performed on a daily, weekly or monthly basis. At this point, sample service levels are defined, ranging from 60 to 90 per cent (see line chart in **Figure 5**). What the regression lines reveal is an anticipated forecast of the abandonment rate and average seconds to abandon, in relation to a specified service level.

Analysis approach: measure optimal SL benchmark for use in staff model

Figure 5: Analysis Approach – Part 1

- Regression analysis of service level, abandonment rate and average abandonment time (in seconds)
- Can be used to define hold-time tolerance of customers, based on historical data from the Automatic Call Distributor (ACD)



The second part of this analysis approach is to define the value of the answered call. This is based solely on the revenue generated per call. For your own purposes and type of business, consider how to more fully define the value of an answered call versus the

cost of a lost call. As mentioned earlier, this may differ greatly among industries or types of services, and may therefore require some additional or alternative considerations (addressed later).

Analysis approach: measure optimal SL benchmark for use in staff model

Figure 6: Analysis approach – Part 2

- Determine net impact of Service Level/Full-time Equivalent requirement change

Networkdays	21	21	Ave CSR Salary	Monthly Cost per FTE	Ave Revenue per Handled Call
			\$48,700.00	\$4,058.33	\$34.24
Monthly Volume	48,000	48,000			
Handled Volume	45,004	45,709	Salary +/-	Ave Monthly Handled Call Revenue +/-	Net +/-
ABD	6.24%	4.77%	(\$8,116.67)	\$24,158.55	\$16,041.88
AHT	1,350	1,350			
Load Req	100.5	102.0			
Shrinkage	15%	15%			
Occupancy	92%	92%			
FTE Req	129	131			
ESL (30sec)	80%	85%			
ASABD	371.46	327.01			
Ave Monthly Handled Call Revenue	\$1,540,920.34	\$1,565,078.89			
Monthly ABND Call Revenue Loss	\$102,599.66	\$78,441.11			

Since optimisation is the aim here, this begs the following questions: Does it make sense to lower the abandonment rate? What is the net impact on cost when lowering or increasing the service level? What would be the net impact of increasing the service level, for example, by five per cent?

In Figure 6, of 48,000 calls offered, with an abandonment rate of 6.24 per cent, 45,004 calls are handled, requiring a headcount of 129 in order to achieve a service level of 80 per cent of calls answered within 30 seconds.

Increasing the service level by five percent (from 80 to 85) comes out to two additional headcounts, with the abandonment rate dropping to 4.77 per cent. This, in turn, means an additional 705 calls that can be handled (45,709 - 45,004). Figure 6 shows that the net financial impact of bringing two additional FTE requirements onboard is a profit of \$16,041.88.

The calculations are as follows:

- With each call producing revenue of \$34.24 x 705 calls = \$24,158.55 (not rounded off).
- From this, subtract the salary cost of the two additional headcount: 24,158.55 - 8,116* = **\$16,041.88.**

*Average annual salary of \$48,700/12mo. = \$4,058/mo. x 2 headcounts

This is a very basic calculation. A more exhaustive approach that includes employee expenses – e.g. health benefits, retirement and onboarding/training – would be warranted to reach a fully-based number.

The needle in Figure 6 was moved only slightly, with average seconds to abandonment shortened by 45 seconds (371 - 327). This may seem drastic at first, but when considering the customer's hold-time tolerance moved from an initial 6 minutes and 11 seconds to

5 minutes and 27 seconds, in the larger scheme of things, it is not earth-shattering. This is the trade-off, but you are at least able to see what is most optimal for your business and what the implications are on your overhead.

Additional/alternative considerations

Figure 7: Additional/alternative considerations for measuring appropriate SL benchmarks

- Deeper analysis regarding cost of abandoned calls
 - Value of an answered call may differ from that of an abandoned call.
 - Do customers call back?
 - Do they defect and go to a competitor?
- Is customer satisfaction affected?
- Absorbing increase/decrease in required FTE with changes in shrinkage, budget or occupancy rate

Some vital considerations (see Figure 7): is your customer call back rate after abandonment, especially in a sales environment. Do you have a high call-back rate? Does an abandoned call represent a missed service opportunity? Is this translating to customer churn (attrition)? Are customers turning to competitors? In the absence of competitors and customer defection, a higher abandonment rate may be more acceptable.

Is your customer satisfaction affected? A correlation analysis is also helpful in evaluating customer satisfaction to see if or how it is impacted. Is there a tendency in customer service ratings when calls are not answered within your service level thresholds? If so, where? What is the tipping point when customers have been made to wait longer before having their issues addressed by your call centre agents?

Admittedly, a drawback to the method used here to calculate the service level is that it assumes time spent in the queue is the primary factor of customer satisfaction. A call may be answered within the threshold, yet is subsequently poorly handled, owing to lack of agent expertise or resources available to

resolve the customer issue. If customers are likely to have a low level of satisfaction, then First Call Resolution (FCR), rather than the service level, may be a better metric for evaluating customer satisfaction. In this case, call centres should focus on providing callers with the answers they need (often, the nature of calls are quite predictable), thereby eliminating or reducing the need for callers to phone again – if they do so at all.

As such, your staff would only be dealing with ‘value’ calls and not have to deal with the ‘failure’ calls (e.g. repeat phone calls). You may want to bake in resources for improving the skill base or, for example, in a sales environment, where the goal might be to drive customer behaviour and improve the rate of customers deciding while on the phone rather than get information and call back, increase resources for an additional FTE.

Something else to consider with these models is that the occupancy and shrinkage rates remain static. This was done to measure just the abandonment rate and subsequent impact on the service level. In many environments, you can choose to offset some of these variables; your occupancy with additional shrinkage or rather, less shrinkage. You can manipulate different variables within the model in order to net out a different result. If you are bound to a strict budget for shrinkage, or if there is a target or budgeted/planned occupancy rate designed to ensure balance of the customer and employee experience, then these exercises are best kept static.



Summing up

This white paper attempts to illustrate that by modelling various ACD statistics, you can arrive at differing service level scenarios with clear, net financial impacts. As such, you have greater control right at your fingertips. The scenario results become the basis for informed decision-making about the service level experience you want your customers to have – aligned with budgetary constraints and resources.

Even contact centres in a cost-centre environment without a revenue-generating component have a cost-per-call impact. You can go through the same exercise without an eye on revenue. Focus on quality of service and define if there is a marked tipping point or a

“sweet spot” – if there is, for example, a spike in the abandonment time between 120 and 160 seconds. If that requires extra staffing, does that put you way out of the ballpark? Look for the tipping point that reduces the number of abandoned calls with an aim to increase overall customer satisfaction. Then make the necessary adjustment, in line with your overall budget.

Reference:

Carlos Muñoz, Sr. WFM Consultant and Project Manager at Teleopti Inc.

Webinar: How do you know you have the right service level requirement for your business?

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Teleopti is one of the world's leading providers of solutions for Workforce Management (WFM) in contact centres, back office and retail stores. Enterprises across the globe use solutions from Teleopti to improve operating efficiency and service levels.

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