



# **Small Call Centers**

## Challenges and Opportunities

A TDI Sponsored White Paper  
By Richard Bucci, The PELORUS Group

## Small Call Centers - Challenges and Opportunities

The past ten years have seen an explosion of new applications that make call centers more productive, cost-effective and more responsive to callers. Unfortunately, few of these innovations were designed and priced for smaller call centers. It's not as if the market is too small to interest vendors.

### Estimated Distribution of World Call Centers by Size (2006)

Agents/Call Center	Call Centers		Agents	
	Value	Per Cent	Value	Per Cent
1 to 20	111,096	75%	1,666,443	26%
21 to 75	22,733	15%	1,091,193	17%
76 to 150	6,786	5%	766,769	12%
151 to 400	4,868	3%	1,338,689	21%
400+	2,690	2%	1,614,108	25%
Total Agents (world)	148,173	100%	6,477,200	100%

Source: PELORUS Group

Sites of 150 agents or less comprise 95 percent of all the world's call centers and employ over half of all agents. Most indications are that small call centers make up the fastest growing segment of the call center industry. This makes sense because large companies are moving to multi-site operations and fast growing mid-size companies of 100 - 500 employees are creating new call centers.

Moreover, smaller businesses (fewer than 500 employees) are the growth engine of the U.S. economy. According to a report issued by the Office of Advocacy of the U.S. Small Business Administration, in 2005 small businesses represented 99.7 percent of all the nation's employer businesses. Data also showed that they employed 57.4 million Americans or 50.6 percent of the non-farm private sector workforce. "Clearly small business is a major part of our economy," said Thomas M. Sullivan, Chief Counsel for Advocacy. "Small businesses innovate and create new jobs at a faster rate than their larger competitors. They are nimble, creative, and a vital part of every community across the country."

### Firms and Employees, USA (2005)

	Number of Employees	
	Less than 500	500 or more
Total firms	5,750,000	17,000
Total employees	57,447,000	55,950,000

Source: US Census Bureau

Yet, penetration of even basic applications like call recording and workforce management is much lower among smaller call centers. PELORUS Group research indicates that only 40 percent of call centers with fewer than 150 agents have a modern quality monitoring system and fewer than 20 percent use workforce management software. Virtually none have advanced applications like performance management software and speech analytics. Small call centers lack the scale to get the attractive paybacks that large call center receive and finding the budget in a small company that has other priorities can be a major challenge. The major vendors tend to focus on the 300+ seat call centers where the sales value and profit margin is much higher.

However, the environment is changing very rapidly. The Internet now makes it possible for even small companies to market their products around the world. Customers have the same expectations for small companies as they do for big companies. They neither know nor care whether the call center has ten or one thousand agents. Customers expect prompt courteous service from people that can answer their questions and solve their problems. In fact, enlightened small companies have figured out that they can offer better service than the goliaths and use this as an important competitive differentiator. Most importantly, innovative vendors are introducing integrated call center solutions that provide all the basic and advanced features smaller call centers need and at prices and terms geared to small company budgets.

Businesses that have invested in contact centers have two fundamental areas they need to optimize-their sales and their people. Sales and service business models are reinforced by an investment in an integrated sales and service application suite. World class contact centers have seen the benefit of bringing both initiatives together in a real-time platform.

### Special Challenges of Smaller Call Centers

All call centers regardless of size have the same basic needs to drive customer satisfaction, grow revenues, control costs and capture and convey valuable market intelligence. While under 150-agent call centers have the same missions there are some significant challenges.

#### Calling patterns tend to have greater volatility

Calling patterns in smaller call centers tend to exhibit greater variation than in very large call centers. Sharp spurts can be followed by periods of relative inactivity. This complicates the manager's ability to develop work schedules that are both cost-effective and maintain desired service levels. Smaller call centers rarely rely on outsourcers or home agents to handle overflows. They must be able to accommodate call spikes internally. One option is to build work rules into the scheduling process that help assure that call coverage mimics call flow. For example, try to schedule lunch breaks during slow traffic hours and limit the number of agents that can be away from the phones at any one time. The same concept applies to training and coaching. Time these sessions on days and day-parts when calling activity is lightest. While this sounds easy in concept it's actually very complex. That's because of the high degree of variation and the inevitable adjustments that need to be made on the fly. Workforce management software is designed to consider the multidimensional problem of building schedules and forecasts in highly dynamic environments and allows multi-tasking managers to spend more time doing what they do best - coaching and motivating agents.

### Everyone is a generalist

Agents can be expected to handle multiple situations, like taking orders, tracking deliveries, answering billing questions, addressing quality issues, and even providing basic technical assistance. This has recruitment and training implications. Some candidates will welcome the challenges that go with job diversity. Others will be more comfortable knowing one or two things very well. Smaller call centers rarely have the luxury of extended training periods and experts dedicated to training. Developing mentors that who can help coach new agents is a great way to help out busy supervisors while at the same time preparing promising individuals for greater responsibility.

When agents have multiple tasks handle time will increase. Call center applications like customer relationship management and interactive voice response can help cut handle time without compromising service quality.

### Limited information technology (IT) support

A large enterprise will have a substantial staff of IT professionals. A smaller organization may have a handful of people whose primary interest is in supporting what they perceive to be the most mission-critical systems in the enterprise – production, inventory control, order management, and accounting. In many cases there may not be an IT department at all. The organization will contract with a third-party to handle all IT needs. In the former case, the idea of supporting sophisticated call center applications with which they have had little prior experience is not always welcome. In the latter case, every call to the outside company rings the cash register to the tune of at least \$200.

The IT support issue is exacerbated when the call center chooses point solutions, each with their own integration and data base management issues, service contracts, and uncoordinated software release schedules. Fortunately, there are suite-based solutions available today in which each application is pre-integrated with the ACD and each other. Data bases are entered only once and the entire suite is centrally administered.

### Attrition, absenteeism and adherence deviations have outside impact on service levels

Absenteeism and schedule deviations can wreak havoc on smaller centers' service levels and agent morale. Jeff Theiler, call center manager for Hancock Bank put it this way, "When you're in a smaller call center, if you lose two or three people, you're just hammered." That's easy to understand. In a call center of 30 agents, if three go to lunch or take breaks at the same time occupancy for that time period falls by 10% and service levels deteriorate. Large call centers account for "shrinkage" by maintaining sufficient staff to maintain service levels at all times. In a smaller call center hiring additional personnel may not be an option.

One way to deal with shrinkage is to cross-train workers to handle call center as well as other administrative duties. For example, employees in finance or human resources can be assigned relief duties in the event of unexpected call surges. Similarly, agents can assume other internal responsibilities during slack times. Technology solutions include self-service and workforce management systems that can find patterns where seemingly none existed.

### Insufficient time for coaching agent evaluations

Evaluating, coaching, and developing agents is the most important part of the supervisor's job. Smaller call centers that rely on manual systems could relieve supervisors of time wasting activities by investing in modern quality monitoring systems. Take evaluations for example. In order to perform just one monthly evaluation per agent a supervisor will typically live monitor an agent for at least 35 minutes to find just one call worthy of evaluation. Even a modest sample for evaluation purposes would require five calls. That's 5 x 35 or 2.9 hours per agent per month. If the call center has 30 agents total monitoring time (not including the time it takes to complete the evaluation form) would amount to 87 hours. At an average supervisor cost of \$35/hour the total time **just listening** comes to over \$3,000 per month! Then what do you do with the completed forms? Paper forms are not easily retrievable for developing the pattern analysis needed to identify training and coaching skills.

Modern quality monitoring software can quickly search through thousands of hours of recorded voice looking for calls that meet specific criteria; such as extended handle times, long holding periods, and multiple transfers. Some systems today enable supervisors to review screen actions and voice at the same time. Supervisors can spot problems in workflows, accessing data bases, and the use of shortcuts that can significantly reduce handle time. Advanced quality monitoring systems also include evaluation software. Supervisors can use the basic evaluation templates provided with the application or design their own – including weighting factors that account for the differential importance of each performance attribute. Performance records are electronically stored and can be viewed anytime in graphical format. Supervisors can spot trends and indicators that highlight agent's strengths and areas that need improvement. Especially effective interactions can be saved as model calls for use in training and coaching sessions.

### Retention is critical

Agent retention is a challenge in every call center but especially in smaller call centers. Large call centers have other resources to pick up the slack and have already forecasted in some level of shrinkage. Because there is often a higher spirit of camaraderie in smaller centers the loss of a popular agent can adversely impact morale as well as service levels. In smaller companies customers get to know and like their agents, like favorite tellers at the local bank branch. This is an advantage smaller companies want to leverage. In massive call centers customers may never speak with the same agent twice.

While turnover is a fact of life there are actions management can take to make the agent's job more satisfying and rewarding. Smaller call centers often have more flexibility to grant time-off requests. They can adjust hours to help agents balance work and family responsibilities. Incentive compensation and contests don't require five levels of management approval. There are more options for creating career paths.

Investments in technology can also promote longer agent retention. Modern agent desktop software makes the job easier for the agent and more satisfying for customers. Intelligent screens with built-in business process routines, like processing credit card payments, automatically present workflows in a logical sequence. This helps assure accuracy, reduced handle time, and relieves agents from the need to open multiple applications or enter the same information repetitively.

## Advantages of Small to Mid-Size Call Centers

While under 150 agent call centers have their challenges, they also have many important advantages. The very fact they are smaller fosters better communications and higher morale. Depending on the organization, there may be less rigidity in work rules, providing call center management with more flexibility in problem-solving.

### Agents and supervisors get to know each other on a personal basis

With fewer agents it is much easier to get know and understand employees on a personal basis. Managers have a better opportunity to learn agent strengths and weaknesses and to foster a spirit of teamwork. This can lead to higher levels of agent satisfaction which translates into higher levels of customer satisfaction. Agent evaluations can better take into account personal qualities that don't readily show up in sterile KPI reports and call monitoring sessions. Adjusting schedules is less complex since management knows the preferences and needs of each individual. It is easier to recognize superior performers and enlist their help in mentoring new recruits.

### The call center is more closely looped into sales, marketing and other customer-facing functions

In smaller organizations call center management has much greater access to the people that impact demands on the call center. A good example is marketing. In big companies the call center can be blindsided by new store openings, press releases, price changes, new products, and new promotions. This leads to a lot of frustration for "not being told." But in the end it is the call center's responsibility to seek out information rather than rely on others. Informal channels of communication, built on personal relationships, are invaluable for this type of information. Unless call center management is firmly in the loop they may not get word of these events in time to properly prepare for them.

### Easier to gain access to subject matter experts

Interactions can take many turns. Although the original intent of the call may have been simply to confirm a delivery date, by the time the caller gets connected she has questions that may range from billing to product operation. In large enterprises callers are often told to call other toll-free numbers to get assistance. This is not what the caller wants to hear. In smaller organizations agents can put the caller on hold while tracking down the people that have the information. Callers much prefer to wait a little longer than have to call back a second or even a third time.

### Call center personnel have greater visibility

Large call centers can easily become isolated from the mainstream. They may be located in remote locations or in central command centers where agents have little or no visibility outside their own organization. Upward mobility is severely limited due to the lack of exposure. Managers can get caught up in day to day crises and neglect to showcase themselves or their talented employees.

## Needs of Smaller Contact Centers

Long thought of as cost centers, senior management now understands that the quality of all customer touch points is critical to achieving revenue, profitability, and customer care objectives. As the voice of the company, agents are uniquely positioned to strengthen or weaken brand loyalty and corporate image. In many cases, the agent is the primary or only human contact that customers have with the enterprise. If the interaction is favorable, the customer is likely to remain a customer. If unfavorable, the company stands to lose a valuable customer and have to expend

resources to replace the lost customer. Smaller businesses have to compete with larger organizations with vastly greater personnel and financial resources. There can be no compromise on call quality. The rule of thumb is that 20 percent of customers account for 80 percent of sales. In a smaller business the loss of even a single large customer can have serious financial consequences to small businesses.

Certainly at some level smaller call centers can “get by” with side-by-side or remote monitoring Excel spreadsheets for scheduling, and basic contact software like Outlook and ACT. There are very inexpensive tape recorders, Erlang calculators, and basic scheduling software that can be used in smaller cost-conscious environments. Reports can be generated manually. However, at some point these methods become unworkable. Live monitoring consumes hours of unproductive supervisor time listening for calls worthy of evaluation. Spreadsheets and inexpensive scheduling software work reasonably well for static environments but call centers are anything but static. Keeping track of time-off requests, changing vacation schedules, accounting for non-call time, and making intra-day adjustments based on call flow becomes a near-impossibility. Manual reporting is another time hog. Supervisors can spend time tracking down and analyzing data from the ACD, the sales department, IT, payroll, and other functions to figure out cost and revenue per call. By the time the reports are prepared they are already out of date. Basic contact management software is a far cry from professional grade CRM. These simple applications do not pop customer screens; you cannot track campaigns or take credit card orders. There are no business process workflows to improve accuracy and efficiency.

There is no magic cut-off point - much depends on the nature and call volume of the center - but industry experts generally concur that after 20 - 30 agents manual methods are simply no longer effective. A few years ago even the smallest full-featured quality monitoring systems; workforce management systems, predictive dialers, and CRM software were priced in the high five or low six figures. The available solutions were built on platforms designed to accommodate several hundred agents and could not cost-effectively scale down to the needs of the smaller and mid-size call centers.

However, in just the past three years innovative vendors have recognized the opportunity to address this largely underserved market with solutions that can be cost-justified. There are also more acquisition options today. Hosted solutions, while still in their infancy, provide a pay-as-you go alternative. Leasing provides comparable monthly costs to hosting without the need for substantial capital outlays. Paying for the applications over the life of the equipment protects against obsolescence and permits the call center to finance the acquisitions out of generated savings.

### **Yes, You do Have a Call Center - Several in Fact**

Any function of the enterprise that receives or initiates frequent contacts from or to constituents is a call center. The human resources department receives calls from employees and prospective employees. Purchasing receives calls, emails, and faxes from current and prospective vendors. Accounts payable places outbound calls to past due customers. Accounts receivable takes calls from vendors. Public companies often take calls from investors. Sales reps get calls that may be handled by inside support people. Many companies have engineers and technicians that answer technical questions from end users or channel partners.

Although these “informal” call centers may consist of only a handful of people, each is a critical touch point to the public. Customer care is everyone’s responsibility. Progressive companies are now extending workforce optimization applications, principally call recording, to all employees that deal with the general public. One reason is liability concerns. Customers may claim their inside sales rep promised a price concession. Absent any proof to the contrary management may have no choice but to comply. If a vendor promises to deliver at as specified date and waive premium freight charges it’s very helpful to have call on record. The other reason is to help assure that all calls are handled professionally and courteously.

### To Suite or Not to Suite

Call centers spend over \$1 billion annually for workforce optimization technology. Smaller call centers have lagged behind in technology adoption, not because their managers are less savvy but because the cost is too great. Fortunately, innovative vendors - most of them smaller businesses themselves - understand their budget constraints and have developed solutions with the functionality and pricing smaller call centers require.

There are two broad categories of vendors – those that concentrate on a single solution (“point vendors”) and those that provide a suite of solutions. Point vendors, as the name implies, concentrate on doing one thing well. It is in their interest to keep current on the latest technology advances, provide top quality products, and aim for superior service and support. Suite vendors offer a variety of workforce optimization applications. These typically include call recording, workforce management, performance management, eLearning and analytics. Depending on the skill sets of the vendor, the suite may alternatively include predictive dialing, interactive voice response, automatic call distribution, or customer relationship management software. The trend is to integrate these offers on a common platform.

Both approaches have their advantages.

Point Solution	Integrated Suite
<ul style="list-style-type: none"> <li>Platform agnostic</li> </ul>	<ul style="list-style-type: none"> <li>Benefit of multiple applications</li> </ul>
<ul style="list-style-type: none"> <li>More flexibility in choice of vendor and solution</li> </ul>	<ul style="list-style-type: none"> <li>Centralized administration</li> </ul>
<ul style="list-style-type: none"> <li>Vendor is dedicated to one solution</li> </ul>	<ul style="list-style-type: none"> <li>Single-point of contact accountability</li> </ul>
<ul style="list-style-type: none"> <li>Easier to learn 1 application at a time</li> </ul>	<ul style="list-style-type: none"> <li>Coordinated system upgrades</li> </ul>
<ul style="list-style-type: none"> <li>Add applications as budget permits</li> </ul>	<ul style="list-style-type: none"> <li>Tighter and less costly integration</li> </ul>

For a new call center or existing center with manual processes or outdated equipment, the suite approach is very attractive. The main advantage is that you receive the benefits of multiple applications at the time of installation. Individual applications are most effective when they work in concert with each other. Take training and coaching for example. Recording and evaluation systems highlight areas that need improvement. Workforce management software identifies the best times to provide needed coaching and training. E-learning software actually delivers the specific materials needed at the most advantageous time. While the initial cost for an integrated suite is higher, it is much less than purchasing and integrating separate solutions. Integrated solutions are also much easier for stretched IT staffs to support.

## Summary

Call centers are mission critical to organizations of all sizes. In a world where competitors can be anywhere the quality of customer care delivered by both formal and informal call centers is one place where a smaller company can readily outshine its larger competitors. Sites of 150 agents or less comprise 95 percent of all the world's call centers and employ over half of all agents. Most indications are that small call centers make up the fastest growing segment of the call center industry.

All call centers regardless of size have the same basic needs to drive customer satisfaction, grow revenues, control costs and capture and convey valuable market intelligence. For too long, the industry has not paid enough attention to the unique needs of this large and fast growing market segment. Products were too complex and too costly. This meant that smaller call centers had to make do with slow and inefficient manual processes. Fortunately, innovative vendors like TDI now offer integrated suite solutions with just the right combination of functionality, capacity, features, and for smaller businesses. The suite approach offers significant advantages over purchasing solutions one at a time.

## About the Author

Richard Bucci is a Senior Consultant for The PELORUS Group ([www.pelorus-group.com](http://www.pelorus-group.com)) where he specializes in contact center technologies. He has authored eight in-depth reports on workforce optimization applications and over 20 articles and white papers. Richard is also managing director of Technology Marketing Associates, a marketing consulting firm. Richard has over 30 years of experience in the telecommunications industry.

## About The PELORUS Group

Founded in 1987, The PELORUS Group has emerged as one of the fastest growing independent market research and consultancy companies in the financial services and telecommunications industries. The PELORUS Group produces authoritative analysis and research reports, provides custom business planning services, and offers timely industry conferences.

### About TDI

TDI is a leading provider of revenue accelerating solutions for the contact center industry. For 25 years organizations have relied on TDI's proven technology, innovative solutions, and quality services to develop their workforce, optimize the customer experience, and improve sales and service revenues.

#### Corporate Headquarters

TDI, Inc.  
17255 N. 82nd St.  
Scottsdale, AZ 85255  
United States

#### Toll Free

800-531-6440

#### Telephone

480-585-6464

#### Fax

480-585-3373

#### Email

[sales@TDIinc.com](mailto:sales@TDIinc.com)

#### Web

[www.TDIinc.com](http://www.TDIinc.com)

