



# In Queue

The fun, informative and interesting newsletter for the call center industry.

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## Our Contact Info:

David Butler  
Executive Director

National Association of Call Centers  
100 South 22nd Avenue  
Hattiesburg MS 39401  
Tel: 601.447.8300

[David.Butler@nationalcallcenters.org](mailto:David.Butler@nationalcallcenters.org)  
<http://www.nationalcallcenters.org>



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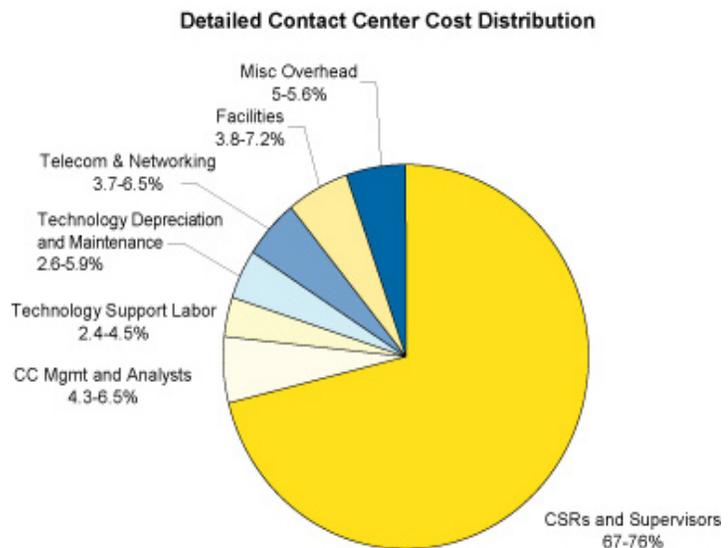
## Insights on Cost Structures in Today's Contact Centers (Part 2 of 3)

Lori Bocklund, President and Brian Hinton, Sr. Consultant - Strategic Contact, Inc., [lori@strategiccontact.com](mailto:lori@strategiccontact.com) and [brian@strategiccontact.com](mailto:brian@strategiccontact.com)

This essay is the second in a series of three that discuss the approach and results to process-based modeling of cost structures and distribution in the contact center. The first in the series (Published in the May 9, 2008 newsletter) focused on the approach we used. This essay focuses on the results of the analysis. Our final essay will discuss how to apply the results to your environment.

Figure 1 shows the results of process-based cost modeling and analysis for today's contact centers. Not surprising, the largest "slice of the cost pie" is the frontline labor, ranging from 67-76% of the total costs. The other components make up approximately a fourth to a third, with no one element standing out as a dominant slice. However, the management and analysts (fixed labor) and the facilities costs incur slightly higher percentage costs than the other elements.

Figure 1: Contact Center Cost Distribution



All leading call center companies and suppliers should examine the new *NACC Underwriting* opportunity in 2008 as evidence of their dedication to the growth of call center industry. See the [2008 Media/Advertising Guide](#) link below for more information.

## In This Issue

[Insights on Cost Structures in Today's Contact Centers \(Part 2 of 3\)](#)

[Prepare to Serve the US Hispanic Market \(Part 2 of 2\)](#)

[Author's Response: No Hope for Coaching](#)

[Call Center Comics](#)

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Business, Research and Advisory Services for the Contact Center Industry

## NACC Investment Portfolio and NACC Composite Index

Since I am out of the country, I cannot record and share what the financial markets are doing. Let's hope they are up and the portfolio and index is as well continuing the two month positive trend we had going. Never fear, we will have updates in the June 20th *In Queue* issue. So stay with us and stay tuned.

## Real Estate

If you are looking for a new call

Interestingly, the technology elements amounted to 9-16% of the cost, including the support labor, telecommunications and networking. In our work with contact centers, we find most centers believe technology has a much larger impact on the overall cost structure.

### Cost per Contact

In our model, we used the fully-loaded cost which includes the total contact center costs (not just the costs typically part of the contact center budget). The table below reveals the impact of including all costs and also how the overall costs change based not only on center size, but also based on the "sensitivities" to our key variables: higher self service, low cost area and complex issue support.

Cost per Contact	Small	Medium	Large	Medium		
				Self-Service	Low Cost	Complex
Fully-loaded cost per contact	\$6.55	\$4.33	\$3.47	\$3.04	\$3.57	\$6.88
Labor budget cost per contact	\$4.97	\$3.33	\$2.72	\$2.23	\$2.67	\$5.59

To take it one step farther, the following table shows the break out of the components included in the cost per contact. This gives a good indication of how the overall budget and each budget element changes in each model. More importantly, it shows how much the overall budget and the ultimate cost per contact can change with focus on cost reduction in any given area.

Cost per Contact Component	Small	Medium	Large	Medium		
				Self-Service	Low Cost	Complex
Variable labor	4.61	3.14	2.50	2.03	2.51	5.25
Fixed labor	0.36	0.19	0.22	0.20	0.15	0.34
Tech support labor	0.29	0.14	0.09	0.13	0.11	0.17
Technology	0.17	0.19	0.20	0.17	0.19	0.23
Telecom and networking	0.30	0.22	0.14	0.20	0.22	0.25
Facilities	0.47	0.23	0.13	0.16	0.19	0.29
Miscellaneous overhead	0.35	0.23	0.18	0.15	0.20	0.35
Fully-loaded cost per contact	\$6.55	\$4.33	\$3.47	\$3.04	\$3.57	\$6.88

Now that we've defined the cost analysis model and shared the cost per contact results, in our final essay we'll discuss how you can put these results in context to help you make decisions about where to invest, what changes to consider, and how to improve your operations.

## Prepare to Serve the US Hispanic Market (Part 2 of 2)

Tony Malaghan, CEO, Arial International,  
[tony@arialinternational.com](mailto:tony@arialinternational.com)

In Part I of the article "Prepare to Serve the US Hispanic Market" we discussed the size of the US Hispanic market in terms of population and purchasing power. We also looked at the reasons why there is hesitation and resistance from businesses to proactively target this segment of the US market.

center location you should check out the [NACC Real Estate](#) page by clicking on this link to see some of the available existing sites.

## Quotes

*"Europe will never be like America. Europe is a product of history. America is a product of philosophy."*

-Margaret Thatcher (1925 - )

## Picture of the Week



This is where I am presently located: Baden-Baden, Germany. This town is known for its mineral baths, similar to Hot Springs, Arkansas, but German, so people prefer not to wear clothes of any kind into the baths. I am about 1/3 of the way through a well deserved 3 week personal vacation in Europe. My wife and I have so far flown into Paris, France, for a few days, then over to St. Goar, Germany, by rail from Paris. Now we are in Baden-Baden and should be heading out tomorrow to Murten, Switzerland. Switzerland is one of my favorite European destinations due to its personality and uniqueness within Europe culturally, physically (topography), politically, and economically. I cannot wait to show you the pictures we take on our trip of the interesting sties.

In Part II we will address what a call center manager can do to help the organization be better prepared to serve the ever growing and unique needs of the US Hispanic consumer and overcome typical challenges.

1. Assign a US Hispanic market champion within the senior executive team to nurture the idea within the senior management team. In our experience, US Hispanic projects are one of the first to be cut when departments are looking to cut costs and trim budgets. Having a US Hispanic champion on board will help to raise the profile of what is happening in the market and help build momentum. Once you have built momentum and raised the profile internally, it becomes a little harder and more political to cut.

2. Build a compelling business case that clearly shows the issues you are currently facing in servicing your existing US Hispanic customer base:

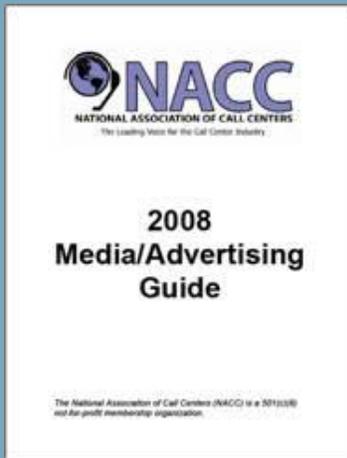
- Capture and compare data of your customers' preferences for English vs. Spanish language communication;
- Compare call duration of Spanish-language calls vs. English-language calls;
- Assess the bilingual capabilities of your current call center agents. Do you have enough agents who are fully bilingual to service your Spanish-speaking customers?
- Perform a "Best Practice Customer Service Gap Analysis" to identify gaps in your current Spanish-language customer service process and practices.
- Demonstrate the potential of this market in your industry today, in 5, 10 and 15 years time. There is plenty of data available to help support your business case - a few examples are the US Census Bureau and the Selig Center's US Hispanic Purchasing Power dataset.
- Take the time to do the research and fully understand who comprises the US Hispanic market. There is a common misconception that it is one market.
- Understand the ethnic make-up of your business footprint. As reported in The Selig Center, Multicultural Report, Hispanics and their buying power are much more geographically concentrated than non-Hispanics. For example, California alone accounts for 26 percent of Hispanic buying power. The top five states by Hispanic buying power are: California (26%), Texas (18%), Florida (11%), New York (8%), and Illinois (4%).

3. Be realistic and up-front about the magnitude of the undertaking. Not only is there substantial cost in marketing to this segment, but having the infrastructure in place to serve this segment should not be underestimated. Before your marketing department proactively targets the US Hispanic market, make sure that your bilingual customer service and collections infrastructure is in place. Companies that practice "Best Practice" US Hispanic customer care do the following:

- Provide bilingual pay differentials based on language proficiency assessments.
- Deliver training for bilingual staff in Spanish. Many

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companies provide training in English, and then tell their call center associates to "go and say the same in Spanish to Spanish-speaking customers."

- Translate all customer communication touch-points to Spanish: IVR, scripts, customer service and collection letters, Websites, etc.
- Offer your US Hispanic customers the choice of English or Spanish-language communication across all communication touch-points.
- Utilize the services of Hispanic market experts. Companies specializing in one or more of the following fields: research, advertising, marketing, training and recruitment can be an invaluable resource in helping you to "get it right the first time". Professionals in these fields also have a wealth of knowledge about what has been attempted in the past and has not worked.

In summary, there is no doubt that this is a very real opportunity for companies prepared to invest in developing a US Hispanic market strategy. As we get nearer to the 2010 US Census, there will be more and more hype about this segment of the US market. Companies willing to put forth the effort now in their US Hispanic market strategy and customer service infrastructure will be well positioned to reap the rewards while competitors scurry and try to decide how to capture and service this very lucrative segment.

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## Author's Response: No Hope for Coaching

Dennis Adsit, VP Business Development, KomBea Corporation.  
[dennis.adsit@kombea.com](mailto:dennis.adsit@kombea.com)

Mr. Elkind claims in [Volume 3, Issue 9](#) of *In Queue* that coaching is a component of a performance system. I have no argument about that statement, but the real question is how important of a component is it? Manufacturing doesn't turn first to taping and coaching. Their primary focus: engineer a process, error-proof and continuously improve it. Call centers can use these same levers, but systematic application is rare. If the masters of driving year-over-year improvement in performance metrics don't rely on coaching, why is it the go-to approach for improving live-agent call handling?

Mr. Elkind says we need to address the fact that coaching is not done well. In other words, call center leaders should spend more money developing a good coaching process and finding and training good coaches beyond the millions being spent on recording, monitoring personnel and the lost phone time. Spend more, and then get a ROI and center-wide metrics improvement? Yes, he says because better coaching will reduce turnover. Will the call center industry lower its current level of turn over from well over 100% in tight labor markets globally to 75 or 50% from coaching? Last year, turnover in the US was averaging in the mid-30% range. I modeled the improvement from coaching for a 100-seat center at a

turnover rate of 36%. New agents improved from "coaching" but the overall average barely budged because "experienced" agents continually turned over and were replaced by new, lower performing agents. Mr. Elkind must be saying the lower turnover we will get from coaching means we will get worse more slowly because he can't be arguing it will lead to performance measure improvement.

We need to face the facts: the industry has relied on coaching because it didn't know what else to do to help the agents improve. When you are deep in a paradigm hole, it is best to put the shovel down and stop digging.

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## Call Center Comics

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**THIS SAYS THAT YOUR LAST 4 JOBS MOVED TO LESS COSTLY LOCATIONS. . . . YOU SHOULD FIT RIGHT IN.**

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