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

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NACC Investment Portfolio

Welcome Verint

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Verint is the newest vendor to start working with the NACC. Moreover, Verint is also part of the NACC Composite Index and the NACC Investment Portfolio (which you can view updates on the left) and is the first portfolio company to begin to advertise with us. Welcome Verint to the NACC family.

Verint supports the organization that supports your profession. Please take a few minutes to read the e-mail that we send on their behalf on July 30th. Join us in supporting those companies that support your NACC.

Avaya Bid Begins Final Chapter in the Nortel Saga

Paul Stockford, Research Director, National Association of Call Centers and Chief Analyst, Saddletree Research, Paul.Stockford@nationalcallcenters.org

This past Monday, July 20, 2009, Avaya announced that it had signed agreements to purchase Nortel’s enterprise solutions business for US$475 million. Readers will likely remember that Nortel filed for bankruptcy protection on January 14, 2009. Nortel’s final disposition has been the subject of considerable speculation since that time.

Avaya’s proposed acquisition includes Nortel’s contact center solutions portfolio as part of its voice division as well as its data and government systems businesses. If you have Nortel equipment or are considering Nortel equipment for your contact center, this article should be of interest to you.

Monday’s agreement was a “stalking horse” sale agreement. A stalking horse agreement is an initial bid on a bankrupt company’s assets by a buyer chosen by the bankrupt company. In other words, Nortel chose Avaya to make the first bid. What this does is allows Nortel to avoid low-ball bids on the company. The stalking horse bid essentially sets the initial minimum bid for the assets of the bankrupt company.

Bidding on Nortel can continue through the first week of August. Information on other bidders is kept confidential, and Nortel expects

Stock	Price	Value	Change
NICE	25.74	6.41	-3.59
VRNT	10.80	4.41	-5.59
SYKE	19.63	10.33	0.33
WIT	13.56	9.05	-0.95
CVG	10.01	5.66	-4.34
TTEC	15.67	6.81	-3.19
ICTG	9.76	9.37	-0.63
APAC	5.29	23.94	13.94
TOTAL		75.98	-4.02

Original Value start 11/6/2007 =US$90.00 or US$10.00 per stock. Then Nortel went bankrupt so we have adjusted the investment portfolio and now the new start value would be $80.00 or $10.00 per stock.

Total Portfolio Value Now= $75.98, up about seven and half dollars from two weeks ago. This number is a great sign and we are only $4.02 from breaking even, $80.00, where we were back in November 2007 (excluding Nortel).

Looking at the portfolio, it is clear that the third-party providers have done quite well as a group in this recovery period while the technology stocks, which soared before the recession, are slower coming back. I suspect, after the recovery is in full swing, that we will see a cooling of the third-party stocks and a rekindling of the technology based stocks in the portfolio.

NACC Composite Index

that there will be active and competitive bidding until the winning bidder is announced sometime around the middle of September. The transaction will still be subject to the approval of the United States Bankruptcy Court and the Ontario Superior Court of Justice.

If you're a Nortel customer, I don't think there is anything to worry about in the short-term. Assuming they win the bidding process, the chances of Avaya immediately dropping the Nortel line are somewhere in the vicinity of slim to none. I believe this proposed acquisition is more a market share grab for Avaya than it is a product line acquisition. Combining their installed base of customers with the Nortel installed base of customers will make Avaya the undisputable leader in the global contact center marketplace. Revenues for the first few years from the Nortel maintenance agreements alone will justify Avaya's initial financial outlay for the company.

In the case of many mergers and acquisitions such as those we have seen during the past decade, the acquiring company goes through a process of integrating the acquired product line with those products of its own. Complementary products come together to create new product offerings that often benefit the existing customer base while giving a competitive edge to the company with its newly integrated products.

I don't think the Avaya and Nortel product lines will ever be rationalized for a couple of reasons. First of all, the product lines of the two companies are more redundant than they are complementary. Maintaining two separate product lines that do essentially the same thing does not make business sense.

Secondly, when the acquiring company is using private equity to make the acquisition, as is the case with Avaya, it is rare for the acquiring company to invest even more money in product line rationalization. Instead it is more likely that one product line will be dropped in favor of the other. I'm speculating that if this happens, it won't happen for at least 18 months. The acquiring company will have to evaluate the relative strengths of both product lines, and the strength of individual components of both product lines, before deciding which product line and which individual products will survive.

If Avaya decides to drop one product line in favor of the other and customers with the discontinued product line get the end-of-life notification for their product, I believe that market churn will ensue. Customers will realize that they will have to undergo a forklift technology change-out regardless, so the shopping begins. This is the point at which Avaya competitors will be hoping for a feeding frenzy, and chances are good that that's exactly what will happen. Again, it is my opinion that we are talking about a time frame somewhere around 18 to 24 months after the acquisition so, there's no need for immediate panic, but it may be a good time to start considering options.

I have to admit in the interest of full disclosure that at one time Nortel was one of my favorite companies. Although they fell from grace over the past few years, their importance as a foundation company in the North American communications industry and as a market leader for over 100 years should not be forgotten. Although Nortel was only a shadow of its former self for most of this decade it is still a company that will be missed in the contact center industry.

Process-Based Operations Budgeting: Linking

Date	Value	Change	Percent
11/6/07	100.00		na
12/5/07	94.38	-0.56	-0.60
1/15/08	80.89	-17.02	-21.04
2/13/08	75.56	-1.98	-2.63
3/12/08	65.47	-11.25	-17.18
4/9/08	68.98	1.06	1.54
5/7/08	77.31	3.14	4.07
6/4/08	81.51	2.93	3.60
7/2/08	70.28	-10.20	-14.52
8/13/08	65.57	-0.97	-1.48
9/10/08	66.55	-1.69	-2.54
10/8/08	43.24	-13.67	-31.62
11/5/08	43.26	1.43	3.31
12/3/08	36.19	3.30	9.13
1/7/09	42.75	2.10	4.92
2/4/09	35.68	-0.55	-1.54
3/4/09	30.94	-2.42	-7.82
4/1/09	37.88	1.75	4.63
4/15/09	43.13	5.25	12.18
4/29/09	48.53	5.40	11.12
5/13/09	50.72	2.19	4.31
5/27/09	55.66	4.94	8.88
6/10/09	61.67	6.00	9.74
6/24/09	55.06	-6.61	-12.00
7/8/09	54.48	-0.59	-1.08
7/22/09	66.48	12.00	18.05

The *NACC Composite Index* was up this week by an outstanding 18.05%. There were only two other reporting periods since the beginning of this index that had larger changes, that was in January 2008 and in October 2008, and both of those were negative changes. This is the highest percentage gain of the composite index since its inception. The only other closer gain was in April 2009 at 12.18%.

Dow Composite	8.59%
S&P 500 Composite	7.81%
NASDAQ Composite	9.30%
NACC Composite	18.05%

The *NACC Composite Index* was up 18.05% with the other indices also gaining ground, but all under the 10%.

Quote

"Never interrupt your enemy when he is making a mistake."

Contact Center Processes to Corporate Goals

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For many contact centers, late summer/early fall means the angst-filled annual budget cycle. Senior managers have to make a lot of tough calls under pressure to reduce costs. Operating managers face demanding performance expectations with too few resources to meet them. In tight economic periods, it's a challenge to sustain the current budget much less pursue a percentage increase based on rather vague projections of staffing requirements. Contact center managers needn't settle for "mission impossible." With process-based budgeting, they can determine exactly what it takes to address their anticipated work load and give senior management a clear picture of what happens to corporate service and revenue goals if their budgetary needs cannot be met.

Process-based budgeting establishes a strategic linkage between the contact center's operation and the organization's ability to generate and maintain revenue. It starts with the top-down revenue forecast and determines precisely what the center must do to support that target. For a process-based budgeting approach, you must:

-Link Operations to Business Strategy – define the strategic planning parameters (the source of revenue) and determine how the contact center supports the ability to generate and maintain revenue
-Define Operations Processes – identify all of the work conducted in support of the business strategy
-Determine Process Volume – establish a relationship between the volume of each process and the strategic planning parameter, project the relationship forward considering how the future will differ from the past, and create credible volume projections
-Describe Process Steps – break each process into process steps, determine the relationship of the process step volume to the overall process volume, and assign a duration to each process step
-Assign Resources – define resources by linking people with cost drivers, define productivity and annual cost of the personnel categories, and assign a resource to each process step
-Produce the Operations Budget – project the required resources and budgets

Process-based budgeting allows contact center managers to defend budget requests based on the work required to achieve strategic goals. The rich detail embedded in the budget supports the requested departmental allocation and provides the means to quantify the performance impact of a budgetary shortfall. Given the link to corporate revenue, it lets all parties know what's at stake if the center is ill-equipped to achieve its mandate.

Beyond its role in the annual funding cycle, process-based budgeting can provide valuable insights that inform a center's operations strategy:

-It enhances one's understanding of what processes drive the need for resources.
-It evaluates productivity improvement projects and shows which initiatives have the greatest potential for delivering attractive returns.
-It quantifies cost per contact by customer type, product type, media, etc.
-It supports inter- and intra-departmental cost allocations based on technology Total Cost of Ownership data contained within the call

-Napoleon Bonaparte

Picture of the Week

This place is called Porta Nigra, the Black Gate, and is located in Triere, Germany. This is actually the last standing Roman built gate in Triere. The story of its survival is that a hermit squatted in the gate when it was to be demolished and the stones used to build other buildings. By not leaving, they could not tear it down for fear of killing him. After a while, the hermit appealed to the church and the church gave him protection and thus that protection also landed on the gate.

The gate is called the Black Gate not because it was made of black stone, but has blackened over time during Germany's growth of industrialization which always produces soot which is absorbed into porous stone.

The irony is that the hermit was holding up economic progress during his squatting. However, since the hermit squatted and the church gave protection, this Roman gate remains and is now a economic engine of tourism.

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center budget.
-It facilitates sensitivity analysis around changes to key performance indicators.
-It provides an essential means to generate "mid-course corrections" should corporate revenue projections deviate significantly from forecasts.

Implementing process-based budgeting in your contact center can range from refining an effective, pre-existing budgeting process to using a model specifically tailored to process-based analysis. If your budgeting tool does not lend itself to a process-based approach, you can use a simple spreadsheet to accomplish the steps listed earlier. The critical success factor is linking the work accomplished in the contact center to corporate revenue generation and support. Think of it this way – marketing and sales plan for product sales growth, or membership growth, or account growth to drive revenue growth. Your contact center plays a direct or indirect role in that revenue growth by directly causing or indirectly supporting the sales, membership, or account growth. That role – or link – is how you tie your budget to the corporate strategy.

Call Center Comics!

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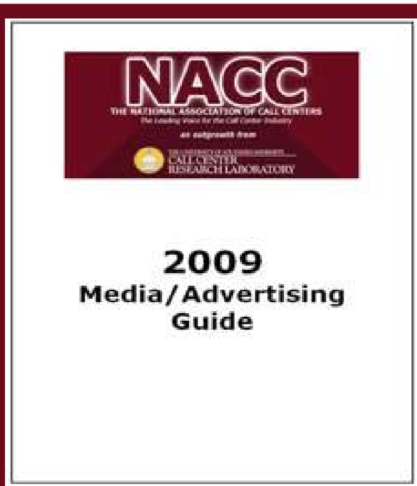

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