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A d v a n c e d T o p i c s

The Laws of Call Centers:

Everything You Ever Wanted to Tell Your Finance and Marketing Friends About Call Centers

By Ric Kosiba, Ph.D. , Bay Bridge Decision Technologies

Dear Director of Finance or Marketing: The following article, if left on your desk, only represents the views of Ric Kosiba, and not the views of the SWPP, the workforce management community, or the workforce management person who “happened” to leave it there.

Our Lot

At least once a year, we workforce management and operations types go head to head with our nemesis, the finance department. We polish off our Erlang calculators, prepare our massive budget spreadsheets, produce many what-if scenarios, bring out the past year’s performance history, and compare said history to our forward thinking plans.

And what inevitably happens after all of our hard work?

Usually our plans are unfavorably compared to plans developed in Finance. Or our plans are arbitrarily slashed through the use of unrealistic stretch goals. I’ve even been a party to discussions that go something like this:

Finance Guy: Let’s assume that handle times will increase by 5 seconds, call volumes will go up by 15%, and service levels will improve to 80% within 30 seconds. No additional staff required.

Ric: Service level is an output, not an assumption.

Finance Guy: Let’s make it an output of exactly 80% in 30 seconds.

It is very frustrating. Don’t they know how call centers work, that there are sacrosanct Laws of Call Centers that define the relationship between staffing, abandon, service, call volume and handle time? How could they violate these laws? We can almost hear them laughing at us behind their fancy office doors!

Almost always our plans lose. Consequently, year after year, our hiring plans are off-kilter, and performance expectations are out of whack. Of course, it is up to us to manage the chaos resulting from this planning mess. Since the finance (and marketing) folks are going to have such an impact on how our centers are managed and run, we thought we’d lay out some of the Laws of Call Centers, and hope they get the hint (if, say, this article makes its way to their desk). It is simply in our best interest to educate them as much as possible.

Idle Time is NOT Slack Time

Idle time—what a juicy target! Finance departments see the idle time numbers in our forecasts or history, representing, say, 20 seconds or so per call where no work is being done! Think of the savings! If the center takes 100,000 calls per week, then this 20-second idle time represents 29,000 hours of productivity just waiting to be nabbed! It’s one-half million dollars to be saved!

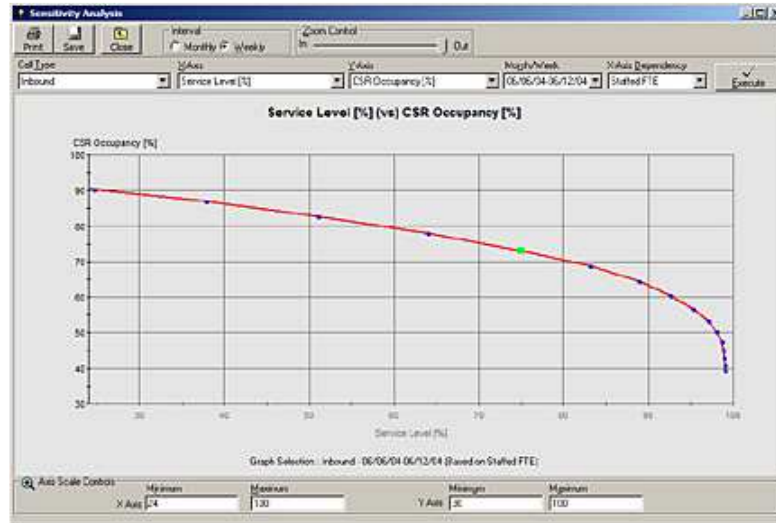
But there is a problem with that “Idle Time Savings” cell in their big financial spreadsheet. Idle time behaves according to one of the Laws of Call Centers.

A Law of Call Centers: Given a center’s size, handle time, call volume, service goal, and staffing level, idle time is fixed, and is an output, not an input.

Corollary: If you give employees something to do with those free “idle time” hours you’ll reduce the service offered to your customers.

The graph above represents the ironclad relationship between occupancy (the inverse of idle percentage) and service level for a particular call center. If I change occupancy by pulling “idle hours” out of the center, then

service level will necessarily decrease.

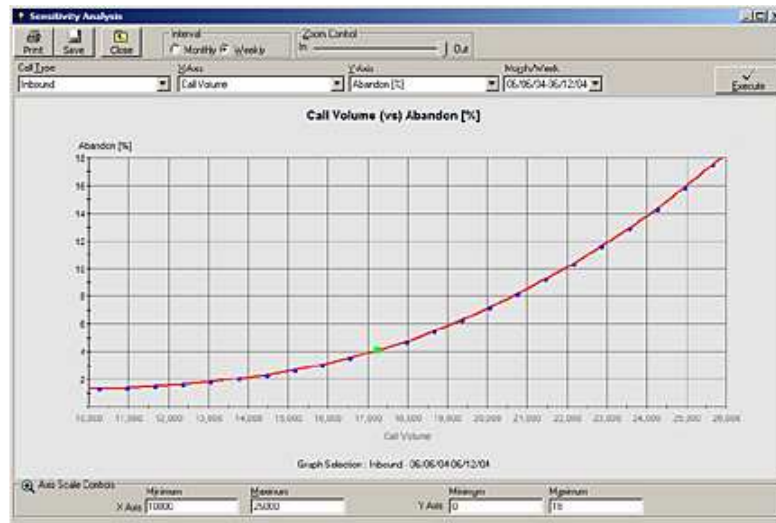


The Successful Marketing Program

It is the rare contact center manager who boasts that he knows of a marketing drop with enough advanced warning to actually gird his center for the onslaught of extra calls. A word to the Director of Marketing: If your marketing program generates a response of 50,000 calls then you should not necessarily consider it a success unless we can manage to answer 50,000 calls. Odds are, we can't answer the additional calls, unless we know about them well in advance!

*A Law of Call Centers: All else constant, as call volumes increase, abandons also increase.
 Corollary: A marketing program may not be successful unless there is time to prepare the center for the call volume spike by hiring or offering overtime.*

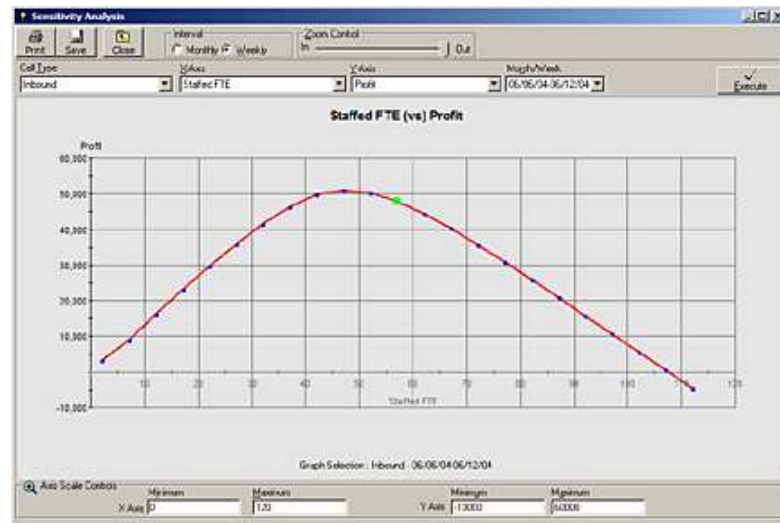
The next graph represents the relationship between call volumes and abandon at a specific call center.



One other note to the Director of Marketing: if it costs more to answer the call than the call is worth, then the program is not a success.

A Law of Call Centers: A marketing program is only successful if the marginal value of the call is worth more than the marginal cost to staff to answer the call.

The following graph represents the economies associated with hiring to manage a sales-producing call center. Note that the economies work only if the revenue being generated is greater than the cost to staff the center!



Overtime is Your Friend

Boy, can overtime upset people in comfy leather chairs. What often is galling is that the same people who cut our hiring plans in the first place will get upset if the call volumes and handle time forecast come in according to our forecasted plans. This, of course, results in service failures that (given the original staff cut) can now only be waylaid by pouring on the overtime.

But overtime can be a great corrector of missed plans. Many business cultures feed on overtime (or early leave) and using overtime can contribute to lower employee attrition.

But overtime and leave are often the necessary result of normal business patterns. Call volumes are often seasonal; hiring to meet a goal may require that in the same week you've a lot of new hires, you're sending agents home early.

Even in mathematically provable least cost hiring plans, there will be weeks where overtime will be necessary (and optimal to use).

A Law of Call Centers: Given the normal fluctuation in seasonal call volume patterns, overtime and leave are almost always necessary.

Call Volume Forecasts Should NOT be a Function of "Hoped-for Sales"

In many organizations, sales and marketing activities drive inbound sales calls. While this makes perfect sense and is often exactly how the business operates, companies can get into trouble when they develop their long term hiring plan based on a call volume forecast that comes directly from stretch marketing goals.

If the goal is overly optimistic, the center will over-hire. If it is pessimistic, the center will be understaffed.

It is always better to temper the optimistic forecast with actual historical trends.

*A Law of Call Centers: Call volumes are best forecasted using mathematical methods.
Corollary: Call volumes do not respond to our best hopes and stretch marketing goals.*

If Your Employees Work Five On and Two Off, Then Weekly Schedules Will Necessarily Have Slack Days

When I was working at a large airline, I was brought into a meeting with a group of very expensive external consultants. They were presenting the results of a pricey three-month study on our staffing practices.

They were hanging their hat on a discrepancy between the number of staff required and the number of reps scheduled. On two days of the week, the overstaffing was TWENTY percent. Huge savings! They recommended that they build an expensive tool to allocate resources better.

But of course, they didn't consider that our union employees work five days on and two consecutive days off. The "inefficiency" was the result of the shift overlap necessary to always hit peak staffing requirements. They

were very confused when this was pointed out to them.

A Law of Call Centers: Work requirements and schedule coverage cannot be judged on efficiency without understanding the company's work rules.

More Laws of Call Centers

For us call center veterans, understanding the misconceptions about how call centers are managed can be entertaining. But it can also be helpful to us, so we can learn how to communicate with managers and executives that don't have our call center experience.

A friend of mine in the industry (and a board member of SWPP) has regular discussions with her team to help them educate their peers in finance (and other areas) on call center and staff planning concepts. Certainly there is real value in this.

I would love to hear from you all with stories about the misconceptions of our company peers and other Laws of Call Centers that you might want shared in a future article.

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