Call Center Consolidation-Does It Still Make Sense?

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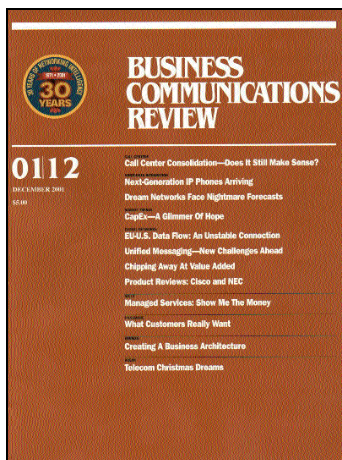
One of the surest ways for a call center operator to achieve improvements in both service quality and cost performance is to take advantage of economies of scale. To gain these efficiencies, fewer, larger agent groups are often better than having many small agent groups; operating larger centers is often better than operating many small centers.

In the past, there have been practical limits to how large an agent group or center could grow. Issues like training, database access and the size of the labor pool constrained the efficiencies that could be gained through scale. Physical limitations remain but, increasingly, new technologies and old business practices can enable enterprises to consolidate groups into larger "virtual" centers. Indeed, such "virtual" consolidation has been the trend in recent years.

The tragedy of September 11 demonstrates the need for disaster recovery and redundancy, and for greater physical distribution of facilities. But the idea of consolidating centers and operations doesn't always run counter to this trend. In fact, some of the technologies and business processes discussed below enable call centers to become truly "virtual" rather than just physically distributed.

Moreover, the renewed emphasis on disaster recovery is only one of many factors to be considered in an overall economic analysis. The slowing economy demands that customer contact be managed from a cost/performance point of view, and increased competition demands improved service performance. Consolidation, logically and physically, can achieve these seemingly incompatible goals.

How do you know if you are a candidate for consolidation? What are the signs of these opportunities? How does one take advantage of these situations? What technologies are needed? This article will address the pros and cons of consolidation, describe the most common manifestations of consolidation opportunities and present a variety of solutions addressing the most pressing obstacles.



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Consolidation Basics

Clearly, consolidation and economies of scale can help achieve significant cost and performance improvements. Take, for example, increased agent performance. Table 1 demonstrates the basic tenet that an agent in a large group can handle more calls at a given service level than s/he can in a small group.

TABLE 1: Economies of Scale Staffing Example

Hourly Call Volume	Workload Hours (call volume * AHT)	Staff Required	Staff/Workload Ratio
200	10	14	1.40
500	25	30	1.20
1,000	50	56	1.12
2,000	100	107	1.07
3,000	150	158	1.05
4,000	200	209	1.04

Notes:
- As call volumes and workload hours increase, the ratio of staff required to workload falls, holding service quality constant.
- Assumptions:
  - Average Speed of Answer (ASA) = 10 seconds
  - Average Handle Time (AHT) = 3 minutes
- Historical Note: Staff requirements are based on Erlang C statistical distribution. Agner Krarup Erlang (1878-1929) was a Danish mathematician who was the first to study the problem of telephone networks. He never married. No wonder!

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The relationship between agent group size and agent productivity is obvious to anyone who has worked in a contact center. However, Table 1 also illustrates the law of diminishing returns-incremental agent efficiencies gained through consolidation are minimal beyond 50 agents.

Agent efficiency and the associated reduction in required staff is only one motivator for call-center consolidation. Others include:

- **Reduced Equipment Costs:** Consolidation translates into fewer telephone systems and fewer computing and networking devices. On a per-phone or per-workstation basis, large systems are less expensive than small systems. The same math that applies to agent efficiency also applies to telephone lines and interactive voice response (IVR) ports, and to furnishings: desks, chairs, etc. This has the additional benefit of reducing the cost of system integration. Large platforms are easier and cheaper than small systems to integrate into customer relationship management (CRM) applications, workforce management (WFM) applications, networking and other technologies. Indeed, most of the time, this integration isn't even possible on small systems.
- **Simplified Implementation of New Technologies and Processes:** Fewer sites are easier to test and maintain than many sites. Technologies that were unaffordable for deployment in many centers may become affordable in fewer centers. Also, when you consolidate your contact centers, you often become your IT department's largest customer. All of a sudden, the contact center has clout. When consolidating, operations managers will gain enough leverage to press for dedicated IT staff. It is also easier to train, manage and communicate with staff in fewer centers.
- **Better Control over Service Quality:** The systems used for larger centers provide much better command and control capabilities than small systems. Real-time and historical reporting are consolidated and easier to read and use. Also, having fewer centers reduces the need to network calls among sites. By contrast, with many small centers, networking is often not feasible, for either technical or economic reasons. Load balancing becomes easier and more economical with fewer sites. Finally, this results in faster recognition and reaction to overall service quality issues.
- **Reduced Management Staff:** Remember the old joke: How do you lose 20 pounds of ugly fat? Cut off your head! This has some applicability to contact centers. The quickest way to cut costs is to reduce the ranks of the highest-paid people. Fewer, larger centers need fewer managers, supervisors, reporting analysts and workforce management analysts. You can put the money where it counts-into front-line, customer-facing agents.

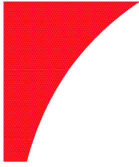
The Costs

These benefits, however, do not come without costs. Business managers need to be aware of the downsides of consolidation. These include:

- **Increased Transmission Costs:** Particularly when replacing local service with toll-free service.
- **Displaced/Relocated Personnel:** Finding other positions, relocation and severance for displaced employees; hiring and training of new ones.
- **Loss of Local Presence:** Consolidation may require changing your phone number, which may announce that you're no longer in the area.
- **Displaced Systems:** If you're lucky, you can re-use cards and modules in the larger system, otherwise, look to sell or donate for tax benefit.
- **Reduced Disaster Recovery:** Fewer sites are available for alternative routing, but having fewer sites may also reduce probability of failures.
- **Loss of Time Zone Advantage:** May need to start shifts earlier and run later to provide the same hours of operation. This may result in the need for shift differentials (a percentage increase in pay to reward people for working unpopular shifts).
- **Limited Labor Pools:** Difficult to find multi-lingual or specialized staff skills.

Consolidation Scenarios

Why are many contact center operations so widely dispersed today? Three scenarios cover the majority of situations in which



companies find themselves with distributed operations:

- **Acquisitions:** Simply put, merged companies often wind up with duplicate capability. During times of economic plenty, the merged company can afford to avoid this issue by simply operating with the excess capacity. However, during an economic downturn or when markets are contracting, companies must face these challenges head-on. In these situations, consolidation may have always been the right course of action, but during good times it's avoidable.
- **Historically Decentralized:** Businesses like utilities or car and truck rental agencies have historically sold to and serviced their customers locally; having a strong local presence was part of the corporate culture. Today, however, with the economics changing, many more companies are competitively stressed and can no longer afford to provide "face-to-face" sales and service.
- **Marketing/Training-Based Segmentation:** Marketing-forced segmentation is very common in the travel and insurance industries. Marketing departments have promised clients their own group of agents specifically trained in the unique aspects of the client's contract agreement, business or product.

In this scenario, you may appear to have a 300-seat contact center, but you really have 30 co-located 10-seat centers, each with its own supervisors, managers, training requirements and operational processes and characteristics. Such an arrangement yields some economies, e.g., in equipment, but prevents the attainment of optimal scale economies-the total number of agent positions directly translates into increased agent ports, agent workstations, furniture and such.

Intra-Center Consolidation
A contact-center consolidation strategy can be focused in two ways: Intra-center and inter-center.

Some of the biggest wins-with the least pain-are available by consolidating within centers. Look at your center. How many agent groups do you have? Why do you have them?

Segmentation has changed dramatically over the last few years. In the past, skill-based segmentation was the rule, but there were limits on the skills that a single agent could acquire. Commercial loans required different skills and knowledge than personal loans. Distributors have different needs than retailers. Client A has different contract terms than Client B.

In today's world, there are a few legitimate reasons for this type of skills-based routing; for example, customer services verses credit and collections, or sales verses service. But many new technologies can enable the true "universal agent"-any agent can handle any call. Knowledge management, process management, just-in-time training and customer relationship management (CRM) all tear down the skill barriers to service.

Today's segmentation strategies no longer look to agent skills as the basis for routing calls, but instead focus on client value to determine what services to provide through what media. Low-value customers get routed to self-service technologies. High-value customers get high-touch service. No matter who or what the customer ends up interacting with, the agent, human or computer, has all of the resources, corporate knowledge and process flows needed to handle the customer requests.

The first thing to do when considering an intra-center consolidation is to look at your center for false skill segments. Look for groups that have very similar skill sets and where light training can merge groups to achieve staffing economies of scale.

Next, take advantage of the fact that you are probably in the middle of implementing a customer relationship management package of some sort. Make sure you deploy the knowledge and process management capabilities of the system. This will allow your agents to be true generalists. Client-specific information and processes can then be institutionalized and can be stored electronically for just-in-time access.

Training then can become more of an exercise in customer relationships-teaching agents excellence in customer care, cross- and up-selling-rather than emphasizing the details of each contract or product offering. This will take some work, but offers considerable payback opportunities through economies of scale and training efficiencies. You may have to do battle with a marketing group, but the math is on your side.

The classic example associated with this realignment of responsibilities is commercial loans in a large national bank. Because agents needed specialized training to process more complex commercial loans, banks often had to have two loan agent groups-one for consumer and one for commercial.

With CRM packages came new capabilities-institutionalized knowledge, formal and documented processes-which enable

banks to create a single, smaller loan group. Agents follow a work flow, and contextually appropriate information is provided as they work through the process. While banks may still need a few specialists, now more appropriately called lead agents, as CRM deployment infiltrates more aspects of the business, the number of calls that need to be escalated/transferred has become smaller.

Voice Processing

The consolidation economies of scale discussed above also apply to the architecture of your interactive voice processing devices (IVRs). A common problem is segmented IVR ports, in which ports are dedicated to a particular application. For example, a 48-port IVR may have 24 ports dedicated to a sales application and 24 to a service application. This occurs because of integration difficulties limiting the ability of an ACD to communicate to the IVR what script, or application to play.

Universal IVR ports, like universal agents, improve performance significantly. This is particularly true where port quantities-12 to 48-are right in the sweet spot for economies of scale improvements.

Achieving universal ports may require a computer telephony integration (CTI) deployment. A CTI application would collect caller information from the ACD and pass it to the IVR to allow any port to play any script.

Universal IVR ports are an absolute must. Otherwise, as the number of unique applications increases, the complexity can strangle an IVR. Consider the example above of the 48-port IVR split evenly between two applications-24 for sales and 24 for service. If the owner decided to add ports for a small investor relations application, where would the ports come from? With universal ports, the new application can be deployed with no effect on IVR sizing. In a segmented environment, sales, service or both must lose ports, or the IVR would have to be expanded-and that means more investment.

Inter-Center Consolidation

When consolidating multiple centers, the first questions are obvious: Which centers should be closed? Where should future consolidated centers be located? How many centers should there be?

In looking for consolidation opportunities, keep the fundamental principles of economies of scale in mind. Consolidation opportunities can be found in centers:

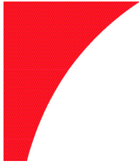
- That are "small"-fewer than 50 phone agents
- With no unique applications (i.e., none that can't be handled elsewhere)
- Where there are no business functions other than the contact center
- That operate in expensive markets
- With outdated technology
- Without growth potential

The question of where you should consolidate or move centers deserves an article of its own; there are entire companies that specialize in this kind of location analysis. However, there are some basic considerations to keep in mind.

The size of the labor pool is often the single largest limitation to the size of a center. With few exceptions, the days of the 2,000-seat contact center are over. Most cities with a large enough workforce to support such a center have already been saturated, and finding suitable staff will remain difficult even in a worsening economy. Folks with the right agent skills will continue to be in high demand. Indeed, with the explosive growth of the contact center industry, even medium-sized and small towns are running out of job candidates and are turning business away.

Therefore, most new centers open with 200-300 chairs, and have the potential to grow to 300-500. Given this environment, timing can be everything: Discussions with city officials can be very different after a major employer shuts down. Take advantage of this and work with city leaders to obtain tax abatements, training credits, community college support, building allowances and other favorable terms.

As for how many centers your enterprise should operate, you may not be able to consolidate into a single center, and for practical reasons, you may not want to. Disaster recovery can be improved by having two or more centers. In fact, with today's technologies, it is not necessary to close centers to take advantage of staffing economies of scale-intelligent network routing, remote shelves and network ACDs make many physical centers operate as a single logical center. But while these technologies improve agent performance, you will not reap all the other benefits of running fewer, larger centers.



Regardless of how many centers you operate, some form of network routing or load balancing is essential for efficient operations and disaster recovery. In addition, you end up with a fairer workplace by reducing work imbalances, situations where one center sits idle while another center is overloaded.

True Demand

But be careful when analyzing the costs of consolidation. Local offices may misrepresent the headcount devoted to call handling in an effort to retain budget dollars, or they may overstate work in an effort to dissuade the consolidation effort. Unless the local centers have good reporting capabilities where you can ascertain true workload, plan to overstaff by 20 percent until you can determine true demand for services.

Statistics for small centers are notoriously poor. Make sure when establishing benchmark data that you look at network blockage as well as service level and volume. Many small centers limit telephone lines to maintain service level, hiding true demand. If possible, go to the toll-free service provider and get the number of busies returned at the network. Absent this, an indication of network blockage can be obtained from trunk reports in the "all trunks busy" (ATB) statistic. This switch report will not tell the number of busies, but the number of times or the amount of time that all trunks are busy. Significant ATBs indicate that true demand is not being accurately reported.

Another indication of inaccurately reported demand is a flat call arrival rate. The level of true demand varies throughout the day. Small centers, with limited hours of operation and limited schedule types, often have the same number of people working each hour of the day. Since a given number of people can handle a fixed number of calls in each hour, the call-handling capability of the center is fixed, even though true demand varies over the day. The result is a mismatch between demand and capabilities at certain times of the day.

Centralized Operations

Whether or not you consolidate the customer-facing elements of your contact center, there is a strong argument for consolidating the operations functions of the contact center. The following functions are commonly centralized under a manager who is a peer of the center managers:

- Contact center design
- Forecasting
- Staff planning
- Network design and management
- Ongoing standard reporting
- Ad hoc reporting
- Knowledge management and best practices
- Quality assurance
- Performance management
- Training
- IT liaison
- Contact automation (IVR, Web)
- Disaster recovery

Centralized operations results in efficient, standard, high-quality customer contact across the system. Because customer contact is planned centrally, customers receive a consistent experience, regardless of when or how they reach you, or where or with what resource they are handled.

The savings associated with centralizing operations can be significant, and stem from improved scheduling performance, reduced analytical staff, reduced training and reduced shrinkage (i.e., unproductive time). Easier staff management, improved quality and improved disaster recovery are some of the softer management benefits. With a centralized operations group, all of these functions are coordinated and managed as a team, which saves time and money, and eliminates duplicate and often conflicting direction.

Implementing centralized operations, however, is a significant cultural change. In this model, the central operations manager

often "owns" the service level goal because his/her team is doing the staff planning and scheduling for all the centers. Managers of the individual contact centers, then, become responsible for schedule adherence and shrinkage goals.

There is a continuum between fully centralized and decentralized operational structures (Figure 1). Where your company fits depends on your culture and tolerance for varying business practices across centers. Without some level of centralized

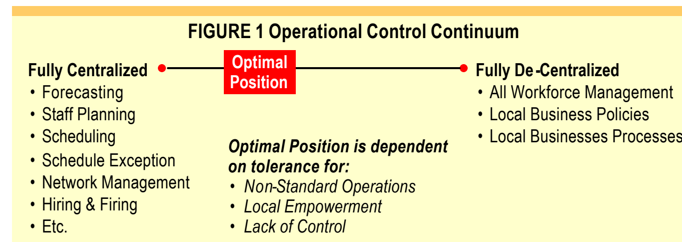


FIGURE 1 Operational Control Continuum

operations, however, it is almost impossible not to have varying customer experiences and overlapping responsibilities.

But you need to recognize that consolidation is about organizational change and managing that change. Planning and communications are everything in a consolidation effort.

You need to communicate your plans for employee retention to the organization. If you don't, you may find that you need to close a center prematurely because employees will start to bail. The people who are retained need to have their new roles and responsibilities explained, and there has to be a transition plan for them.

Conclusion

Consolidation is one of the surest ways for a contact center to achieve significant operational improvements. Economies of scale will improve both cost and service performance, two items that are normally considered mutually exclusive.

Technologies such as networking, knowledge management and customer relationship management (CRM) facilitate consolidation efforts. These tools help achieve savings within a center as well as across multiple centers.

Consolidation also can take several forms. The creation of a centralized infrastructure group, for example, can be leveraged to achieve standardization and operational efficiencies without requiring any consolidation of customer-facing organizations.

While the benefits of consolidation are fairly predictable, they don't come with cost or significant and sometimes painful organizational change. Extensive planning and communication are critical to achieve the benefits of consolidation without causing significant disruption to ongoing business.