

# Proving Your Contact Center's ROI with Activity-based Cost Analysis

*Understanding, measuring and presenting  
contact center performance in business and financial terms*

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## Situation Overview

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Though the contact center has become an indispensable tool for companies of all sizes across all industries, it still often suffers from being perceived as a “necessary evil.” Efficiency and cost reduction are commonly the contact center’s principal enduring objectives. There’s nothing wrong with running an efficient operation, of course. And over the last decade or so, contact centers as a whole have been extraordinarily successful in driving down costs while processing significantly more work at measurably improved levels of service quality. The evolution of the contact center has spawned entirely new industries to provide the technologies and specialized training resources that have made these efficiency gains possible.

*The real cost of inadequate support*

*When cost reduction becomes an end in itself, the contact center finds unable to provide services to customers at an acceptable level of quality. In the long run, this situation costs an enterprise far more in lost sales, customer loyalty and reputation than any savings achieved from lower operating costs.*

But efficiency and expense reduction can be carried past the point of optimal performance, and in the contact center world this is a common problem. When cost reduction becomes an end in itself, the contact center finds itself lacking the ability to provide services to customers at an acceptable level of quality. In the long run, this situation can cost an enterprise far more in lost sales, customer loyalty and reputation than any savings achieved as a result of lower operating costs in the contact center. So why is this still such a frequent problem?

## A Problem that Won't Go Away

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Despite what many contact center managers may believe, this situation does not arise out of a prejudice against the customer service professions or any other conscious intention of senior management. Nor can it be attributed to any lack of progress or dedication on the part of the contact center itself. The numbers show that the efficiency and quality of contact centers have improved exponentially over the last decade. The root cause of this ongoing problem lies in the manner in which contact centers measure their performance and the way in which that performance is communicated to management, in particular to non-contact center management.

Contact center performance measurement almost universally focuses upon indicators of volume and operational efficiency. Measures such as contact volume, average speed of response, abandon rates, contact cycle time and resolution rates are tracked and reported by nearly every contact center. To a lesser extent, quality metrics such as repeat contacts, misdirected calls or customer satisfaction are also tracked and reported. This makes good sense for two reasons. First, the contact center manager needs this information to make sure that the operation is performing as required and also to get an early warning of any developing problems or issues. Second, as discussed earlier, efficiency is the official objective of nearly every contact center, so these measurements become their official performance indicators.

*Measure and communicate*

*The root cause of this ongoing problem lies in how contact centers measure their performance and the way in which that performance is communicated to management, in particular to non-contact center management.*

Every function within an enterprise, be it sales, manufacturing, product development or the contact center, will have a set of specialized measurements that are important and meaningful within that functional area. Sales may measure new contacts or sales stage, for example, as a way of tracking progress toward new sales. Renewal rate may be measured to keep tabs on the health of existing customer relationships. For sales management, these are important indicators of the performance of the sales group. But outside of the sales force itself, frankly, no one cares about them. What matters to the rest of the enterprise is revenue: revenue trends, revenue per sale, and revenue per salesperson. In other words, those outside the sales force concern themselves with measures of the *financial* performance of the sales organization and the *contribution* sales makes to the key objectives of the enterprise. Most sales groups are quite adept at providing non-sales management with this information.

## Measuring What Matters

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So what are the key factors in measuring financial performance and understanding the contribution that an operation makes to the overall success of the enterprise? Ultimately, any organization is concerned with increasing its economic value. For a commercial enterprise an increase in value is fundamentally connected with a favorable trend in two key areas: revenue and profitability. Within non-commercial organizations, such as government agencies or non-profits, value may be assessed in terms of an improving ability to successfully perform some specific function or task or to provide funds for a specific charitable purpose. But even here it is revenue (perhaps in the form of tax dollars or donations) and profitability (maximizing the percentage of revenue available to support the mission) that determine success.

*Be clear about what matters most*

*At the bottom line, what matters are those functions and activities that demonstrably and positively impact revenue and profitability.*

At the bottom line, what matters are those functions and activities that demonstrably and positively impact revenue and profitability. Certainly, organizations realize that other supporting roles and functions are necessary to enable the creation of enterprise value. But it is only to the extent that these supporting functions can (and do) show their influence on enterprise value creation that they become serious players in creating business value.

## You be the Judge

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What does all this have to do with the contact center? Let's consider an example. It's budget time at ACME Lowbuck Storm Door Company, and there's enough money left to fund either an additional sales rep or two more tech support reps in the contact center. Each manager is invited to present a business case to the budget committee. Let's listen in . . .

**Sales Director:** "The new Pet Entry All-Season Storm Door that the Product Development team has come up with is a real winner! I think it's going to be a big seller. But I need another sales rep to make it happen. Based on our current sales yield and the demand I see for this product, I can bring in another \$1.35 million dollars in sales next fiscal year with one additional salesman. At \$175,000 plus bonus, that nets us a three year ROI of more than 700% and pays for itself in less than a quarter."

**Contact Center Manager:** "We're really concerned about this new Pet Entry door. The beta test shows it's hard to install, and several pets have been hurt trying to go through it. We think it's going to generate a lot of new support calls, and we're not sure we can

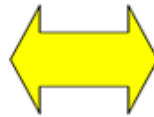
handle the load with our current staff. Our average speed of answer is trending the wrong way as it is, and cycle times are creeping up. I'm afraid the additional volume might increase the stress level to where turnover becomes a problem. That \$175,000 could buy us two or three new support reps, and we sure could use them. Thanks for noticing me."

There you have it. Which proposal do you think the budget committee will fund? Nothing the ACME contact center manager said was unimportant, let alone false. But neither was it a persuasive argument to that particular audience. The sales director, on the other hand, spoke in terms familiar and important to the members of the budget committee. She "spoke their language" and "sang their song." She presented her case in terms of its financial impact on ACME and ensured that the impact of adding a salesperson on ACME's enterprise objectives (revenue growth) was explicit. As a result, she will most likely get her additional salesperson, and the contact center will have to make do as best they can. (See *Figure 1*)

**Fig. 1:**  
*Speaking  
different  
languages*

The contact center measures its performance and evaluates its success primarily in **operational** terms:

- Response time
- Abandon rate
- Problem cycle time
- First level resolution



The enterprise measures performance and evaluates its success primarily in **financial** terms:

- Revenue
- Profitability
- Growth rate
- Return on Capital
- Stock price

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*There is a fundamental disconnect between the language of contact center management and the executive management of most companies. If the contact center is to be regarded as a full participant in the success of the enterprise that management must learn to speak in the business and financial terms that are most meaningful in the executive suite. If the contact center is to be regarded as a full participant in the success of the enterprise itself, if its real contribution to revenue and profitability is to be generally recognized, then it must become adept at measuring and presenting its performance in the very same business and financial terms that matter to the rest of the organization.*

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The lesson here is clear. If the contact center is to be regarded as a full participant in the success of the enterprise itself, if its real contribution to revenue and profitability is to be generally recognized, then it must become adept at measuring and presenting its performance in the very same business and financial terms that matter to the rest of the organization. In addition, the contact center must be able to identify and communicate the specific contributions that it makes to the overall success of the enterprise in achieving its key business objectives of revenue growth and profitability.

## Activity-Based Costing

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This paper provides an overview of the concepts of Activity-Based Costing (ABC) and how this process can be applied to improve the effectiveness and efficiency of any contact center operation. In particular, we will discuss how ABC can provide definitive answers to investment and financial performance questions such as:

- What is the return on an investment in new technology and where, specifically, does it come from?

- Where can I reduce my current expenses with the least negative impact on my performance, and what will that impact be?
- Which specific activities and tasks represent the largest share of my cost structure, and are there lower cost alternatives for performing those tasks at or above current performance levels?
- How do I construct a credible financial “baseline” against which I can objectively measure the results of my improvement efforts and new investments?

Once the unique value of the ABC approach has been established, a methodology for implementing it in the contact center environment is needed. An overview of a typical ABC analysis and a discussion of the results and their application illustrate how the process works. A real-life example is provided, as well as resources for additional reading and information.

### ***A failure to communicate***

The failure to cast the performance and contributions of the contact center in business and financial terms has two key consequences. First, the contact center typically encounters difficulty justifying investment in additional resources. These may be technology upgrades or enhancements. But they might also include staff, facilities, outsourcing or even training and development initiatives. Often, it's not a matter of expanding your services or capabilities, but of obtaining resources needed to simply maintain your existing level of service in the face of rising demand or an expanding portfolio of services.

*Demonstrate the impact*

*Unless you are able to demonstrate that the required investment will produce a competitive return to the company, the contact center will inevitably lose out to more explicitly beneficial proposals.*

Without the ability to demonstrate in a convincing way that the required investment will produce a competitive return to the company, the contact center will inevitably lose out to more explicitly beneficial proposals. The result is an ill-equipped contact center that must make do with the leftovers at budget time. Sadly, this is a common complaint among call center managers.

The second consideration is more strategic and, therefore, of potentially much greater long-term impact to the enterprise. Unfortunately, because the situation described above is so prevalent, most contact centers never even contemplate the more strategic issue.

*Align your goals with business goals*

*Lacking an explicit link to the goals and business drivers of the company, the contact center's impact on those goals is not clearly understood. Consequently, opportunities for the contact center to influence overall enterprise performance are often overlooked.*

Lacking an explicit link to the goals and business drivers of the company, the detailed ways in which the contact center's operations directly impact those goals is often not clearly understood. Consequently, opportunities for the contact center to favorably influence overall enterprise performance as it relates to these key objectives are often overlooked.

For example, a contact center providing tech support to users of the company's products can hardly help but receive a lot of information about what customers think of the products, what they like, dislike and would like to see in future versions. But the call center doesn't have the staff or time or, much less, the mandate to collect and analyze this data, so it often falls by the wayside. New product releases are less satisfactory than they could be, resulting in higher support costs

and possibly dissatisfied customers. Since these costs are not readily available to quantify the investment case for added staff, no staff is added and the information is wasted. Revenue and customer retention are both potentially impacted, but the connection is not made and the investment not made available.

### **Linking activities with costs**

Most contact centers do have specific budgets within which they are expected to operate, and these form the most basic level of financial performance management. But to be truly useful as a decision support tool, financial performance must be measured and understood beyond what traditional general ledger-based cost center budgets permit. To make effective use of financial measurements, the contact center must understand its actual costs at a detailed level.

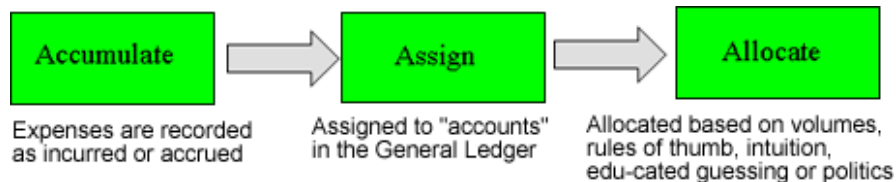
At a practical level, this means that expenses must be understood in relation to the specific activities and tasks performed by the contact center. By altering the frequency, expended effort, duration or other parameters of each task, it should be possible to predict the impact of doing so on the overall financial performance of the center. Operational and financial performance are then linked, and contact center management can discuss the potential of new investments or the impact of altering operational tasks and procedures from either perspective, depending upon the purpose and audience.

## **The Limitations of Traditional Cost Accounting**

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The traditional management cost accounting methodology records and classifies expenses as they are incurred or accrued. (See Figure 2). These costs are posted to various accounting ledgers and aggregated into accounts based on the nature of the expense. This allows the enterprise to assess and understand its cost structure based on the typical labor, materials and overhead expenses it incurs.

**Fig. 2:**  
*Traditional Cost Accounting Approach*



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*Traditional cost accounting methods classify costs in terms of the types of costs incurred and the functions and organizations which incur them. This is accomplished by assigning direct costs and allocating indirect ones. The approach suffers from significant limitations as a decision support tool.*

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It is generally necessary to understand costs not only in terms of the types of expenses incurred but also by the different functions and organizational units which incur them. Traditional cost accounting methods accomplish this by assigning direct costs and allocating indirect ones. While this produces reasonable results in the aggregate, the approach suffers from significant limitations as a decision support tool. Principal among these limitations are:

- To a great extent, costs are allocated arbitrarily by means ranging from algorithmic to political.

- Allocations are to organizations and functions rather than to the activities and tasks performed.
- Cross-allocations between and among organizations can be complex and often misleading.
- The results are historical and not forward-looking.
- The method does not link financial accounting and operational performance results in any explicit way.
- Cost-accounting terms and concepts are often unfamiliar to operational decision makers.

While the methods of traditional management cost-accounting are well-established and likely to remain so, there is a need for an approach that is more supportive of strategic decision-making and offers deeper insight into the economic value to the enterprise of the specific tasks it performs. Fortunately, such an approach has existed for some time and is particularly well-suited to the contact center environment.

## The ABC Approach

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Activity-Based Costing (ABC) has enjoyed a long history of success in the manufacturing environment and is particularly applicable to the typical contact center operation. That's because ABC is ideal for demystifying a complex cost structure. In an ABC analysis, an operation is defined by the detailed activities it performs and the tasks which comprise each activity. Using a variety of sources, all relevant fixed and variable costs are allocated at the task level based upon the specific resources that are consumed each time a particular task is executed.

*Identify activities and tasks*

*In an ABC analysis, an operation is defined by the detailed activities it performs and the tasks which comprise each activity. The result is a financial picture of the contact center that illuminates high-cost activities and tasks, suggests the most likely areas for changes and improvement, and helps predict the financial results of investments or process changes.*

The result is a financial picture of the contact center that illuminates high-cost activities and tasks (based on actual costs), suggests the most likely areas for changes and improvement, and helps predict the financial results of investments or process changes. A comprehensive and detailed financial baseline provides a credible basis for comparing the "before" with the "after" and also allows for measurement of actual success achieved after implementing any prescribed course of action.

While it has always been possible to apply ABC in the contact center, the effort associated with correctly identifying and allocating all components of expense has been difficult, time-consuming and prohibitively expensive for most contact center budgets. In correlation, the technique has never gained widespread application, despite its many critical benefits. Any practical ABC solution must therefore offer easy usage at reasonable cost and require only readily available data inputs. Ideally, the results should be comprehensive but also easy to follow and understand. If the results can be interpreted only by an accountant, then they will be of limited use in the contact center world. The financial analysis, however, must be sufficiently rigorous and thorough to satisfy a non-technical management audience.

Finally, the value of an ABC solution multiplies when it permits the rapid comparison of multiple "what if" scenarios to an accepted financial baseline. This allows the effective evaluation of

alternative possible courses of action in a way that facilitates the development of a compelling business case for change.

### ***Viewing your operations in economic terms***

ABC analysis has evolved as a method for representing and working with complex cost structures whose performance depends on multiple variables coming together in high volumes and at close tolerances.

*Build a framework for analysis*

*ABC creates a framework consisting of activities and tasks, assigns costs to them based on the resources that each activity consumes and produces a baseline financial view of the “business as usual” scenario. Additionally, it serves as a benchmark to compare process changes or investments being contemplated.*

ABC creates a framework consisting of activities and tasks, assigns costs to them based on the resources (human, system, financial and other) that each activity consumes when carried out and produces a financial view of the “business as usual” scenario. This “baseline” represents the operation in economic (rather than accounting) terms, which facilitates analysis and resource allocation decisions by tying them more directly to the actual behavior and outcomes of the functions being modeled. Because the operational and financial views are now linked through the same analysis, ABC serves both the technical and management audiences.

### ***Quickly create multiple scenarios for analysis***

Another significant value that can be seized by utilizing the ABC approach is the ability to quickly generate accurate, believable “what-if” projections across a wide variety of scenarios. This ability allows managers to consistently—and confidently—determine the optimal mix of resources to apply to any given set of business goals. Alternative proposals can be evaluated both on their operational impact and their most likely financial outcomes. The result can be a business case for change that fairly compels management to take action.

### ***Analysis that compels action***

Any manager who has been burned by vendor hype or stopped cold by a skeptical budget committee understands the need for rigorous, objective, airtight analysis of business impact. The problem lies in the development of a quick, convincing and flexible business case. The benefits of modeling your operation through ABC make this exercise perhaps the best single investment you can make. The value of the information is in its ability to uncover otherwise hidden relationships and to represent them in a way that encourages action.

*Create insight into operational costs*

*More often than not contact center management is well aware of the problems and opportunities. They are just unable to convince executive management of their importance. Rather than just reporting costs by organization, ABC provides true insight into operational costs and clearly identifies and aids in prioritization of realistic options for both financial and operational improvement.*

Rather than just reporting costs by organization, ABC provides true insight into operational costs and clearly identifies and aids in prioritization of realistic options for both financial and operational improvement.

One example of the benefits derived from ABC involves AboveNet, a network services provider and web hosting company serving small and medium-sized businesses. The company had delayed needed investments in contact center technology and process improvements because key decision makers could not agree on what the priorities should be. Once the results of the ABC analysis were presented to management, the decision was immediately made to focus on two initiatives that together produced a permanent operating cost savings of 25% and an appreciable improvement in service quality. It was not that ABC merely made these opportunities visible. Rather, ABC clearly identified the costs associated with not taking action. Once these were understood, moving forward with the proposed improvements was an easy choice to make.

Any beginning swimmer will tell you that the cost of inaction is higher than the cost of almost any action, however sub-optimal that action may be. In our experience, even the best contact centers are leaving double-digit inefficiencies on the table—despite the use of the “best” tools to identify and act on such opportunities. Sometimes this is because these opportunities are simply not visible to management, buried in a cost structure that is overlooked by the existing financial reporting systems. But more often than not contact center management is well aware of the problems and opportunities. They are just unable to convince executive management of their importance. ABC provides a critical tool for doing just that.

## Definition of ABC

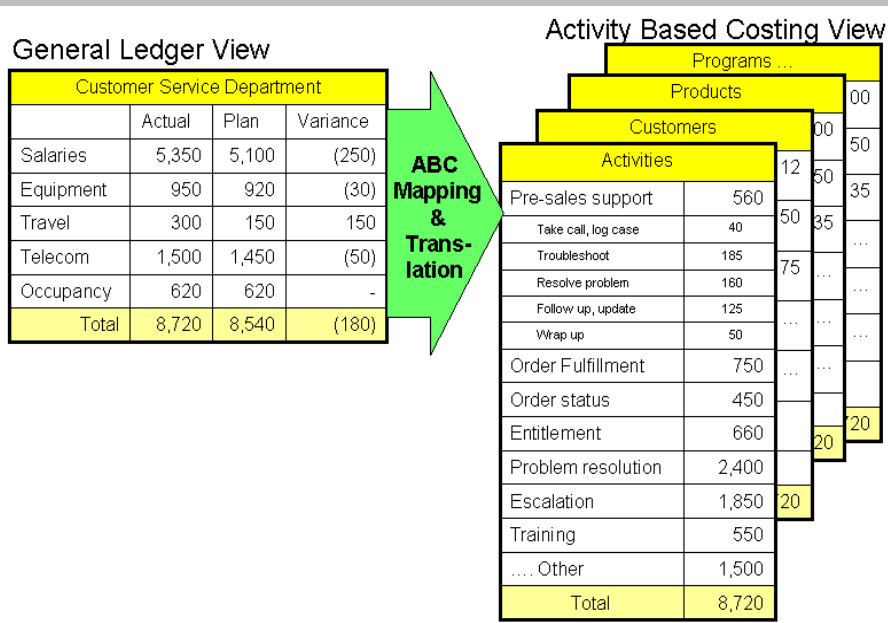
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Activity-based costing is a financial analysis methodology which seeks to describe an operation in terms of the specific tasks which it performs, the resources which are consumed during the execution of those tasks, and the costs associated with completing them. An ABC analysis focuses on one or more specific “cost objects”—a product, service or function within an organization. The contact center might be defined as the cost object of an analysis, or the entire customer service or sales functions. It is important to define the cost object clearly, as this in turn determines the scope and applicability of the results.

Once the cost objects under scrutiny are defined, each must be further defined by the detailed activities and tasks which they perform. For example, if the contact center as a whole were chosen as the cost object, activities such as “answer call,” “resolve customer issue” and “create monthly reports” might be some of the defining activities, each of which would be further broken down into detailed tasks. Each time a task is executed, it consumes one or more resources. In ABC work, resources are broadly defined to include all the labor, systems, facilities and materials that are used in carrying out activities. Since each resource has a cost, resource consumption is what drives the computation of task and activity cost.

Total costs are determined by the number of times a task and activity are performed. This is driven by outside factors such as customer demand for a product or service. Traditional management cost accounting methods use a top-down approach to allocate costs to products, organizations or functions. ABC can work from the bottom up, aggregating the costs related to performing activities to determine total costs. In this sense, we have two different views of the same thing, and the bottom line costs should be the same. (See Figure 3.)

**Fig.3:**  
ABC maps to  
General  
Ledger reports



*Traditional ABC allocates the entire GL to activities, leading to distortions of true costs. ABC is built “bottom up”. It uses general ledger data as one of several inputs, combining contact center-specific activities and template content to build an integrated operational model. The bottom line may be the same, but the information each provides is very different.*

## Conducting an ABC Analysis

An ABC analysis of a contact center begins with the construction of a detailed baseline of the existing situation. The baseline documents the present cost structure of the operation and provides clear insight into any hidden costs or significant opportunities for improvement. Additionally, it serves as a meaningful benchmark against which to compare process changes or investments being contemplated. Regardless of the details of the specific contact center, construction of the “baseline scenario” will require the following steps:

**Step 1:** Define the set of specific activities that make up the contact center’s operations. These will include core activities such as “receive call,” “determine service requirements,” “resolve customer issue,” “technical elevation” and “close call”. Other activities that support the core activities must also be included. Examples of these might be “maintain customer database” or “produce management reports.” The activity set should be sufficient to completely describe what the contact center does without being so detailed that data collection and analysis becomes unwieldy.

**Step 2:** For each activity defined in Step 1, identify the specific tasks which make up the activity. As a rule of thumb, three to six tasks are generally fully adequate to describe an activity. If you need more tasks than that, consider whether you would be better off defining an additional activity. Use common sense. For the activity “receive call” the associated tasks might be “queue ACD call,” “agent responds,” “locate customer record” and “verify entitlement information.”

**Step 3:** Define the resources that are used by the contact center to carry out its tasks. For the purposes of an ABC analysis, resources are defined rather broadly as “anything that

has an associated cost and which is used or consumed in the execution of a task.” Thus labor hours for various classes of employees, telephones, PC workstations, desks, office space and system time would all be considered resources. After the correct definition of activities and tasks, this is the next most critical step in the analysis and often the most difficult, as it requires the collection of accurate and detailed cost data.

**Step 4:** Assign each resource to any task that makes use of it. A resource may also be assigned to another resource; office space or workstations to staff members, for example. Once a task has correctly been allocated the resources it requires, it is then possible to make a calculation of the cost of executing the task one time. This is the basis for the rest of the analysis.

**Step 5:** Define the frequency with which each task must be executed every time an activity is completed. Often this will be only once, but many times a task may need to be executed multiple times, or not at all. For example, each time the activity “close call” is executed, the task “call back customer” may occur an average of 1.5 times, while the task “verify solution” occurs only once. The task “rework solution” might occur only 1 time in 10.

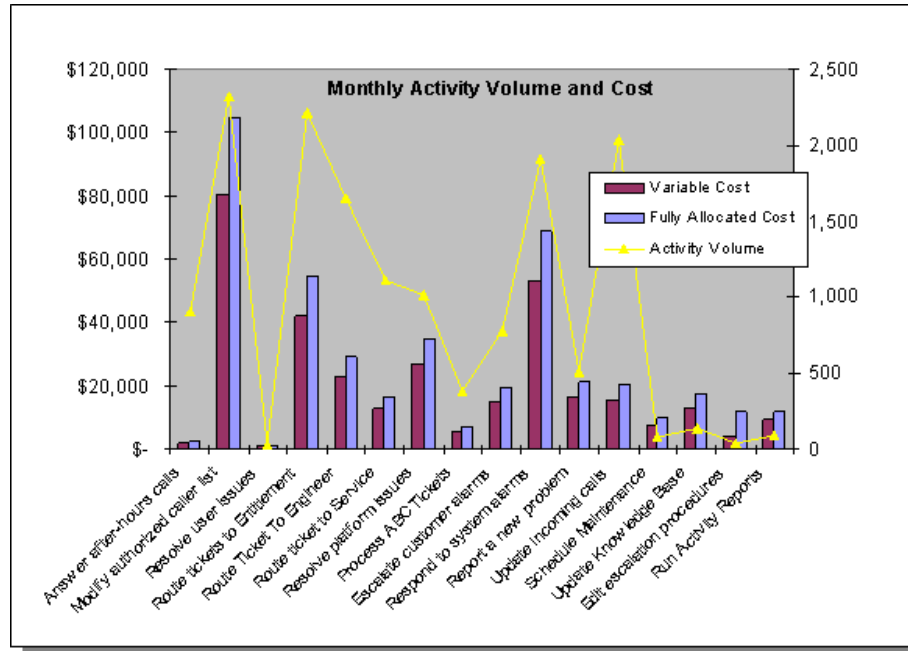
**Step 6:** Define the variables that drive work into the contact center and cause the tasks to be executed. Often these will be “contacts” or “calls,” but other drivers are possible as well, such as “installed base,” “workstations,” “contracts” or “product shipments.” It can be especially helpful to define these workload drivers in business terms that will be familiar to the rest of the organization and for which the management has confident forecasts. If necessary, let the model translate the drivers into calls or other direct operational volume measures.

**Step 7:** Using the volume drivers defined in Step 6 and the relationships between resources and tasks previously defined, the cost of each task and activity can now be computed and combined to produce the financial baseline. The resulting budget should be compared with the actual contact center cost center reports and budget to verify the accuracy of this baseline. Remember, the traditional cost accounting approach and the ABC method are just different views of the same operation and should produce very similar bottom-line results. If there is a wide divergence between the ABC result and the financial reporting system outputs, it is likely there is a flaw, either in your model or the data, which must be identified and corrected.

**Step 8:** With the baseline scenario completed, the cost structure of the contact center can be analyzed to identify high-cost tasks and hidden costs that may not be visible at the highly aggregated level of a typical cost center report. Low-cost activities may mask high-cost tasks, or a task that is in itself low-cost may produce a high-cost activity because it is repeated frequently each time an activity is executed. These items then serve as the starting point for a deeper examination of specific cost reduction opportunities.

Depending on the modeling approach employed, the ABC baseline may produce numerous other views and reports such as staffing level requirements, hiring plans, capital and expense budgets, system expense reports and more. It may also be possible to “roll up” the baseline results by programs, departments, locations or task types. Finally, the results may be a forward-looking forecast or a backward-looking historical representation, depending upon the intent and the data supplied. The baseline costing data is most commonly displayed in a typical budget report format. But it can also be useful when examining the results to cast them graphically. (See Figure 4.)

**Fig. 4:**  
Example  
baseline  
report



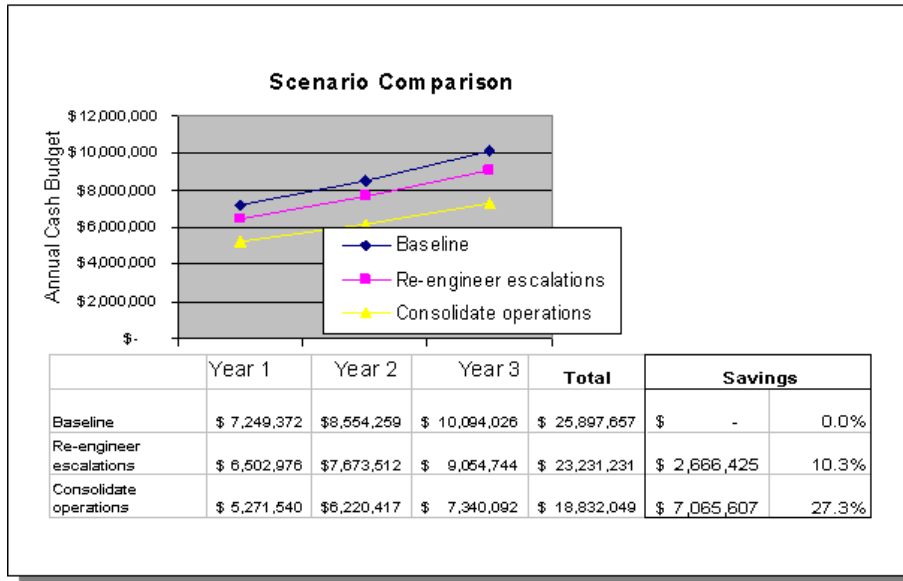
*The baseline displays the detailed cost structure of the existing “business as usual” scenario, and allows the identification and prioritization of specific cost reduction or process improvement opportunities.*

The analysis of a baseline like the one illustrated above normally reveals multiple opportunities to enhance or expand the contact center’s activities, as well as cost reduction possibilities. In this example, “Modify authorized caller list,” “Respond to system alarms” and “Rout tickets to entitlement” represent the three highest cost activities. Certainly, just because an activity is high-cost does not mean it should or can be reduced or eliminated. But these are clearly attractive candidates for further study. Perhaps modifying the caller list is a manual process that can be automated, while responding to system alarms is a complex technical task that is simply expensive. In any case, the baseline provides insight into the most promising improvement opportunities.

Knowing where your best opportunities lie is one thing. Being able to obtain the management and financial approvals to pursue them is another. One of the real added values of the ABC approach lies in its ability to determine which of these possibilities represent the most attractive opportunities and to create the kind of compelling business and financial case that will justify an investment of time and money. (See Figure 5.)

Once you have identified the specific changes you want to pursue, you can alter the baseline model to reflect the process, technology or business driver changes you propose. An unlimited number of such alternative scenarios can be created, and each will display the same information as was available from the baseline case. For example, each scenario could be displayed as a budget forecast and compared to the original baseline.

**Fig. 5:**  
*Build a compelling financial case*



*The ABC approach not only highlights improvement opportunities, but helps you prioritize them and build an effective business case for getting the most promising ones funded and implemented.*

Financial impacts could then be clearly seen graphically, as well as examined in line item detail. The results of *not* taking any action are highlighted as well, allowing informed decisions to be made and alternative actions to be prioritized. Key financial metrics such as payback periods and return on investment are provided, and the process of developing a sound business case is greatly simplified.

*Analyze the impact of changes*

*Once you have identified the specific changes you want to pursue, you can alter the baseline model to reflect the process, technology or business driver changes you propose. Financial impacts could then be clearly seen graphically, as well as examined in line item detail. The results of not taking any action are highlighted as well.*

Given the many advantages of the ABC approach, why is it not more commonly used in today's contact centers? While the power of ABC is undeniable, it can require significant effort to create an ABC model, obtain reliable data and conduct the analysis. Certainly this can be done in a static, manual way. In fact, that is how most ABC projects have been implemented historically and also causes them to be extremely expensive. It is not uncommon for consulting organizations to charge hundreds of thousands of dollars for an ABC analysis that can require months to complete. In a practical sense, an automated tool is needed to support the modeling effort. Development or purchase of such a tool and the associated time and cost to become expert in its application can also be significant costs.

In the next section, you will see how InterVox Group has addressed these issues and successfully applied the ABC methodology for our clients.

## The Contact Center CATScan™

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While ABC is a powerful decision support tool, it has not found extensive application in the contact center due to the time, cost and technical detail required to successfully implement it. To a great extent these factors can be attributed to the difficulties inherent in a manual application of ABC or to the requirements of adapting a modeling tool to the unique requirements of the contact center environment.

InterVox Group has developed the Contact Center CATScan service for applying ABC in the contact center environment. CATScan combines *The Contact Center Guide*™ (an ABC modeling application from Primary Matters, Inc. that is specifically optimized for the contact center) with the extensive assessment and modeling skills of our consultants to create an effective and economical means of quickly identifying productivity hot spots and qualitative improvement opportunities.

CATScan delivers a comprehensive economic model of your customer-facing operations with insightful analysis of how current activities are aligned with key corporate objectives and business drivers. With the CATScan, it's not uncommon to identify immediate savings of 15-25% or more from an analysis of the baseline results. This is in addition to revealing longer-term opportunities for dramatic savings and performance improvements and providing a compelling business case for management action.

Once changes are implemented, the actual impact of your effort and investment can be identified and measured, providing an unambiguous assessment of the results achieved. By applying the recommendations developed through a CATScan ABC analysis, The San Francisco Chronicle found more than \$6 million in capitalized savings, and AboveNet discovered practical ways to reduce its annual contact center operating budget by 25% while *improving* customer satisfaction.

The CATScan is a true ABC analysis and follows the process outlined in the previous section. It uses a bottom-up approach based on the unique activities of the individual contact center. From the start, the model is constructed to mirror the actual behavior of the operation. The modeling tool speeds the construction and analysis of the baseline and uses real operating data drawn from direct observation, reports, interviews and the expert judgment of InterVox consultants. The CATScan incorporates total-cost-of-ownership data for common contact center technologies such as ACD, IVR, VoIP and CRM systems. This is represented in the model through detailed templates that can be easily invoked to show the impact of investing in alternative solutions. Finally, the CATScan explicitly ties the activities of the contact center to corporate strategy via business drivers, the variables that define business success for the entire enterprise. This effectively brings into the process all customer-facing operations by coaching success in common terms related to common goals.

CATScan locates costs and savings opportunities within current contact center operations with pinpoint precision. It quantifies the real impact of changes you're planning in business and financial terms that resonate with executive management. And because it employs a modeling tool and process customized and optimized for the contact center, a complete model showing the actual impact of making changes (including the cost of doing nothing) can be generated in days rather than months. The CATScan methodology has specifically adapted the ABC process to the contact center. Historically, the expense and inflexibility of ABC methods have kept them well out of reach of most customer service organizations.

*Rapid analysis of multiple options*

*CATScan enables an experienced consultant to build a baseline in less than a week and evaluate multiple scenarios in a matter of minutes.*

CATScan's breakthrough is to enable an experienced consultant to build a baseline in less than a week and to generate scenarios in a matter of minutes, with corresponding cost savings. The Contact Center CATScan:

- Identifies exact costs and savings opportunities by analyzing operations and processes at the task level.
- Aligns contact center activity with business objectives and business drivers.
- Evaluates the cost/benefit impact of investment options, including: new systems, expanded integration, increased staffing, outsourcing process changes and more.
- Establishes baselines for measuring performance improvements and delivers a powerful management tool, enabling what-if scenarios and ongoing performance analysis against key business drivers.
- Delivers the deep insight of experienced executive consultants.
- Is a cost-effective way to evaluate vendor performance.
- Eliminates guessing as to the impact of time, effort and capital invested.

### ***CATScan can identify ROI before you invest in new technology***

Every year we invest more time and money in the contact center, and yet it's difficult, if not impossible, to prove that companies are getting their money's worth. According to a recent study by Datamonitor, nearly two-thirds of the call centers surveyed couldn't measure the impact of their recent CRM investments. If that is the status quo, it's easy to see why committing to new initiatives often presents difficulties.

CATScan quantifies the real impact of changes you're planning and changes you make and expresses them in well-understood financial terms that compel action. For example, CATScan will identify:

- The actual, total cost of ownership that you can expect, not what the vendor tells you.
- The financial impact that implementing new technology will have on key business drivers.
- The additional impact on other company resources.

CATScan can tell you exactly what your return will be from implementing a new ACD, upgrading workstations, or expanding your CRM solution. Once changes are implemented, the actual impact of your effort and investment can be measured, leaving no doubt as to the success of your goals.

### ***CATScan helps make the right outsourcing decision***

CATScan is a powerful tool for helping contact centers determine if and when outsourcing options will be beneficial *before* making a decision to outsource. CATScan provides a baseline of current activities, costs, and performance against which outsourcing options and proposals can be evaluated. If an outsourcing decision is made, CATScan provides an unbiased mechanism to monitor, measure and analyze actual results against predicted performance. Using CATScan you can:

- Evaluate exact costs and performance in an "apples-to-apples" comparison.
- Evaluate the impact of downsizing decisions before restructuring your staff.

- Perform unlimited “what-if” scenarios to evaluate combinations of internal and external workforce structures and process options.
- Determine what your outsourcing service should really cost, and why.

CATScan provides clients and outsourcing providers with a powerful partnering tool that can deliver unbiased cost analysis of actual efforts, options and alternatives. It's the foundation for a strong and enduring relationship.

### ***CATScan models continuous process improvement***

Managing your contact center to perform at increasingly higher levels within increasingly tight budget requirements requires a continuous effort to improve and refine all aspects of the organization, including cost management, technology investments, service levels, service mix, staffing and training, workflow and distribution.

The Contact Center CATScan™ provides a comprehensive *economic* model of your customer-facing operations, with insightful analysis on how current activity is aligned with key corporate objectives and business drivers.

- When you know exactly where your costs are too high, you can reduce them and reallocate budget to fund improvements.
- When you know exactly where to find savings by improving the process, you can make the changes with confidence.
- With the CATScan, it's not uncommon to find immediate savings of 15-20% and more and to identify opportunities for dramatic performance improvements.

CATScan is the only service that applies the principles of Total Performance Management™ to identify exactly where operational costs are too high, where and how to improve performance and your finishing ROI.

Perhaps the most valuable aspect of the CATScan is that its output compels action. Often the most difficult part of an improvement effort is getting the necessary support and approval for its implement. The manner in which the CATScan data is gathered, input, organized and utilized creates uncontestable conclusions for the course(s) of action that will most quickly lead to desired goals, and presents them in the language that executives understand and care about.

## InterVox Group: The only source for CATScan

InterVox Group is the global leader in Total Performance Management™ (TPM) for customer contact centers. Through the application of Total Performance Management concepts and programs our experienced consultants deliver improvements in customer contact center operations that can be measured with precision and with quantifiable, demonstrated impact on business performance

Total Performance Management is a best-practice approach to getting maximum performance from all call center resources and optimum value from the customer relationship. It has enabled companies like the San Francisco Chronicle to achieve more than \$6,000,000 in capitalized savings through implementation of TPM concepts.

We help our clients specifically by improving the utilization of their contact center staff and resources, maximizing the return from recent call center investments and continuously improving their ability to provide high levels of customer satisfaction and service.

Total Performance Management™ involves knowing *exactly* what your contact center needs to do for the optimum impact on the long-term growth and profitability of your enterprise. In addition, TPM requires the ability to tell whether or not those things are being accomplished. TPM is composed of three primary activities:

### **1. Effectiveness and Goal Setting:**

- Customer Expectations – Understanding exactly what your customers need and want
- Customer Experience – Knowing how your customers feel about your enterprise and your products and services, based upon their interactions with you
- Strategy Articulation – Establishing specific, measurable objectives and strategies aligned with the expectations and requirements

### **2. Efficiency and Change Management:**

- CATScan™ – Assessing your existing environment for alignment with business goals and strategy and opportunities for more efficient operations
- Opportunity Analysis – Evaluating opportunities for improvement and/or enhancement; understanding the business case for each; prioritizing
- Program Development and Project Management – Implementation of selected projects, technologies, process improvements, and new services

### **3. Measurement and Feedback:**

- Contact Center Scorecard™ – Implementing processes that provide ongoing measurement of progress against goals
- Action – Taking appropriate action to identify and resolve problem areas and spotlight emerging opportunities
- Feedback – Identifying successes and failures, understanding what's working and what's not

InterVox Group helps the best customer contact centers in the world realize the full value of their customer relationships and manage customer contact into a competitive advantage. A partial listing of Intervox Group clients includes:

- Adobe Systems
- AT&T
- Autodesk
- Automobile Club of Utah
- Bank of America
- Banco Nacional de Mexico
- Bay / Nortel Networks
- Blue Pumpkin Software
- Canon Computer
- Charles Schwab & Co.
- Cisco Systems
- D&B Information Services
- East Bay Municipal Utilities
- Entrust Technologies
- Florida Power & Light
- Hewlett-Packard
- Intel
- Intuit
- ISP Channel
- MCI
- Metromedia Fiber Network
- Pacific Bell Information Services
- San Francisco Chronicle
- Sony
- Telcel (Venezuela)
- US Sprint
- Wells Fargo Bank
- Xircom