

A Primer on Strategic Planning in Today's Contact Centers

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High volume contact centers are among the most intense, dynamic functions in the enterprise. There is rarely much time to sit back and reflect on fundamental questions like what will the operation look like three years from now, or what can we do to anticipate the daily challenges and perhaps systematize the problem solving process. However, every effective contact center has to plan. You can't run a contact center without visibility into what staffing and technology requirements will be in at least the short-term. This is tactical planning — it's preparing for foreseeable events, such as known patterns in call flow and panned promotions. Tactical planning gets most of the attention.

But there is another level as well, and that's strategic planning. The two are highly related but are different in substantive ways. Strategic planning looks out over longer horizons, months or even years into the future. Strategic planning strikes to the core mission of the enterprise and the contact center. It's the difference between deciding how many more agents are required to handle seasonal spikes or deciding if you need agents at all — opting instead for some other path like self-service or outsourcing. Obviously, if the decision is the former it can be implemented in weeks or months. Implementation of strategic plans could take infinitely longer.

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Strategic Plans vs. Tactical Plans

The following table draws significant distinctions between strategic and tactical decisions.

	Strategic, Long Term	Tactical, Short Term
Time frame	• Months and years	• Days and weeks
Goals	• Support goals of the enterprise • Evaluate options to support change • Balance costs, revenue, service, employee satisfaction • Gain long term visibility into operations	• Support goals of the contact center • Deploy schedules • Adjust to real-time changes • Train and evaluate agents
Addresses	• Uncontrollable variables, like external trends and events	• Controllable variables like people, budgets, and internal environments
Outputs	• Staffing roadmap • Cost/benefit analysis • Site locations • Core responsibilities • Major investments	• Employee schedules • Assessment forms • Coaching and training needs
Planning frequency	• Quarterly, annually	• Intra-day, daily, weekly

Strategic Planning

Strategic plans look out beyond the immediate horizon. Examples are deciding where to locate new call centers, whether to invest in VoIP, or determining if agents should be responsible for revenue as well as customer service. Strategic plans strive to answer the most fundamental questions:

- What is the basic mission of the contact center, in respect to supporting the stated goals of the broader enterprise?
- Do our key performance metrics accurately reflect our progress against these goals?
- Are we fully leveraging all of the value of our human, technical, and intellectual resources?
- Does the contact center “pay its way” in terms of return on investment to the enterprise?

Strategic plans account for uncontrollable variables.

Strategic plans for the contact center are tightly woven into the broader goals of the enterprise. For example, the stated goal of your business may be to grow your footprint in Latin America. This has implications for contact center management. You need to be planning and budgeting today if you will need a call center or outsourcer that is fluent in Spanish and Portuguese; and you need to understand local work rules and cost factors.

Generally speaking, strategic plans account for uncontrollable variables. Tactical plans tend to address the things you can control, like workforce scheduling and training. Along that same vein, strategic plans are reactions to external events and trends, like industry consolidation, low unemployment, new technology, and reduced customer loyalty. Examples of strategic decisions include:

- Site locations
- Transitioning from a service-based to sales orientation
- Deploying skilled vs. universal agents
- Skilled vs. universal agents
- New or expanded customer services
- Outsource or grow organically
- Remote agents vs. brick and mortar
- Extending agent and technology resources to back-office functions
- Technology direction; e.g., VoIP vs. TDM, web-based vs. client-server, commitments to new standards
- Responding to rules and regulations
- Point vs. unified solutions

A good example is changes in legislation — an uncontrollable variable. Consider the fact that 76.1 million workers were eligible for the Family Medical Leave Act (FMLA) in 2005, and over six million took advantage of it. Strategic planning asks the question of what would happen if Y% of staff took advantage of FLMA instead of X%? How likely is that to happen, and what resources are in place to handle it (more part-timers, more home agents, adjustments to the scheduling model, outsourcer arrangements, or changes to internal policies?).

Why Be Concerned with Strategic Planning

There are many reasons to be concerned about strategic as well as tactical planning.

Avoid being blindsided

There is still a tendency among some call centers to operate as islands unto themselves. This is understandable given the pressures to perform in an ever-changing environment. However, getting too disengaged from the broader enterprise cuts off valuable formal and informal communications networks. You can be blindsided by new products, quality issues, acquisitions, and changing priorities based on the economic fortunes of the company.

Strategic plans are all about contingencies. You need to stay on top of daily events as well as trends. If you do this, there should be few surprises, and when change occurs, you will be prepared.

Investments in new technology can take several months to even years of preparation. If your analysis of long term trends shows that more callers are having difficulty with the English language or that email is growing rapidly as a proportion of inbound contacts, you need to be sure that your applications can schedule skill groups and non-call activities.

Build a stronger business case for contact center investments

Substantial capital investments require a business case to justify the cost. A business case should not be confused with a ROI model. Savvy executives know there are many ways to game the system to show the desired numbers. The call center is far better equipped than other departments to establish a ROI case for the project, but winning projects go beyond the math to show how the investment lines up with corporate goals and strategy.

Let's go back to the example of the company that has the stated goal of expanding its footprint in Latin America. The practical ramifications for the enterprise are many: locating an office or series of offices in the region, lining up sales channels, recruiting local staff, translating product literature into local languages, and investments in technology are just a few. The contact center needs to assess the likely volume of new inbound traffic over time and the best way to prepare for it.

Avoid crisis management

In many industries and particularly financial services, consolidation is the name of the game. Organic growth is slow in mature industries so the big fish swallow the smaller fish. Every acquisition brings new contact centers often in different geographies and each with its own hardware, network service arrangements, call center applications, and business processes. Every acquisition can be another crisis. Perhaps a better understanding of your company's long term growth strategy would lead to planning and building out new centers in geographies where growth could be expected to occur. Acquisitions are closely-held business secrets so you would not be expected to know when the next one is coming. But by understanding your employer's business strategies and watching your industry's patterns over time, you can reasonably anticipate what is going to happen next and plan for it.

The Strategic Planning Cycle

The strategic planning process involves three steps, beginning with a **situation analysis**. The situation analysis needs to consider fundamental external trends as well as trends specific to your industry and company. The object is to understand the situation as it is today and how it is likely to change over time. By situation analysis, we mean the business environment you compete in, the health and trends of your particular industry, your company's position in the industry and growth pattern, and the performance of your contact center in this environment.

Strategic planning deals largely with uncontrollable variables — both external and internal. The intent is to anticipate future events by examining current trends.



Based on this input the next step is to specify long term **strategy and objectives**. This phase should mirror the goals and strategies of the broader enterprise. The final step is **tactics and resources**, as well as preparing the plan. This will include specific action items, timelines, accountabilities, and budgets.

1: Situation Analysis

Preparing the situation analysis requires understanding where your company is today and where it is going. It is helpful to know the underlying trends that drive your business and consequently the role of the contact center. Strategic planning deals largely with uncontrollable variables — both external and internal. The intent is to anticipate future events by examining current trends. Trends should be considered at two levels, those that directly affect your industry and business and those that directly effect contact centers. Over several years of intensely monitoring the contact center space, The PELORUS Group has identified key trends at both the business environment and contact center levels, including:

Business Environment Trends

- Service Dominated Economies
- Service as a Competitive Differentiator
- Tightening Labor Markets
- Growth of Telecommuting
- Multi-Lingual Societies
- Laws and Regulations
- Advances in Technology

Source: The PELORUS Group

Service Dominated Economies

In North America and Europe, services and government comprise over 60 percent of the gross domestic product (GDP). As a result, the demand for customer service agents (CSRs) continues to grow. The U.S. Department of Labor forecasts that demand for CSRs and related customer contact personnel will continue to grow at an above average rate, at least for the near term. This should continue to create tight labor markets for call agents, which raises the value and importance of technologies, and in turn improves agent performance and job satisfaction.

Service as a Competitive Differentiator

Businesses like finance, travel, insurance, transportation, telecommunications, and healthcare sell intangibles. With brand loyalty waning and the convenience of the Internet for price shopping, these industries are challenged to reduce churn rates while at the same time maintain price stability. Customer care is a top priority. Delivering superior service is a major point of competitive differentiation, and it makes sound economic sense. Studies have shown that it costs up to 10 times as much to replace a disgruntled customer than to retain one, perhaps by empowering agents to grant through small concessions. As the primary (and often only) human touch point for service companies, the CSR can greatly influence customer retention through the quality of the interaction. Investments in recruiting, training, and productivity-enhancing applications are well justified when so much is at stake.

Tightening Labor Markets

The U.S. unemployment in September 2007 was 4.7 percent — below what economists once considered full employment. Not surprisingly, total compensation costs have been ratcheting up. Annual compensation costs for civilian workers increased 3.3 percent for the year ended June 2007. Tighter labor markets make it more costly and time consuming to adequately staff centers. In the U.S., agent growth is moderate and not expected to grow sharply in the future, averaging about two percent per year. Nonetheless, finding the right people remains a challenge. Companies want customer care personnel with good computer skills,

superior communications skills, the ability to quickly absorb new information, handle high stress levels, and the right blend of temperament to deal effectively with callers and co-workers. Increasingly, they are seeking people who are bilingual or multi-lingual. Agent positions normally require only a high school degree, but the quality of education in many U.S. high schools is below employer expectations. Good people are not easy to find, and turnover levels remain much higher than for other employee groups.

There is a clear trend toward locating contact centers in smaller communities with lower land and labor costs. In Sioux Falls, South Dakota, CSRs make up 4.2 percent of total regional employment or 11 times the national average. Compensation costs are 20 percent lower than the national average and 33 percent lower than the highest cost state — Massachusetts.

U.S. Customer Service Representatives		
	Mean Annual Wage	% of Employment
Total USA	\$30,400	0.3%
Top paying states		
Massachusetts	\$36,980	1.68%
Connecticut	\$35,980	1.73%
California	\$34,110	1.32%
Highest % of Employment		
Sioux Falls, SD	\$24,460	4.20%
Lubbock, TX	\$22,660	3.50%
San Antonio, TX	\$24,590	3.32%

Source: U.S. Department of Labor, Bureau of Labor Statistics, May 2006

Growth of Telecommuting

A survey sponsored by The International Telework Association found a 30 percent increase during the past year in employee telecommuters, while self-employed telecommuters decreased by two percent. According to the report, there are 26.1 million people who work from home at least one day a month — and 22.2 million at least once a week. The growing popularity of telework is generally attributed to the need to accommodate employees with children, the high cost of office real estate in many cities, and the post 9/11 concern about concentrating mission critical functions in central facilities.

Multi-Lingual Societies

According to the U.S. Census, nearly one person out of five, or 47 million residents, speak a language other than English at home. This was an increase of 15 million from the 2000 census, and nearly three-fourths of the increase was individuals that spoke Spanish at home. Spanish is not the only “second language” spoken in the U.S. In Los Angeles, over 90 languages are spoken. Los Angeles has more people of Japanese descent than any city in the world outside of Japan. Chicago has more people of Polish descent than any city in the world except Warsaw. While 90 percent of foreign language speakers also speak English, a substantial minority have difficulty with the language.

Canada and Belgium are officially bi-lingual. Rapid migration in North America and Europe are spreading multilingualism. Contact centers in mass-market businesses like financial services, travel, healthcare, and insurance need to have sufficient multilingual agents to serve their client base.

Laws and Regulations

Contact center management and the vendors that serve them have to be cognizant of labor regulations. In the U.S., a good example is the Family Medical Leave Act (FMLA). This law has been in effect since 1993 but only now are many contact centers beginning to understand the implications for staff forecasting and scheduling. As mentioned earlier, the Labor Department estimates 76.1 million workers were eligible for FMLA leave in 2005 and that 6.1 million took leave under the law, with 1.5 million of them using it intermittently. The law grants employees at companies with 50 or more workers 12 weeks of unpaid leave in a 12 month period for the birth/adoption of a child or a serious medical condition of their own or of a close family member. There is a lot of ambiguity about what constitutes a “serious medical condition” or even the definition of “family.” In practice, employees often take time off with little or no advance notification.

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Advances in Technology

The most dramatic technology trends are in the world of communications. Growing access to the Internet means customers have more options in how they interact with providers. It also allows enterprises to divert more queries to self-service. According to data collected by Nielsen Net Ratings and the International Telecommunications Union, the U.S. has the highest Internet penetration rate, but both Asia and Europe have more Internet users. In 2005, shipments of IP-PBX lines for the first time exceeded shipments of TDM lines. The ACD market will follow, as contact centers are generally slower to adopt new technologies, given the mission-critical nature of their function.

Advances in speech recognition technology now allow contact centers to “mine” their large databases of voice interactions. The most promising application is root cause analysis, where calls are tagged by user-defined categories that can be retrieved for more detailed analysis. For example, a bank wishing to know why customers are defecting may search on key words like “cancel” to better understand the causes of defections.

Closer to home, there are many trends happening in contact centers that affect both tactical and strategic planning. As identified by The PELORUS Group, these include:

Contact Center Trends

- Recognition of the Contact Center as a Strategic Resource
- Changing Role of the Contact Center
- Agent Specialization
- Revisiting Metrics

Source: The PELORUS Group

Recognition of the Contact Center as a Strategic Resource

Long thought of as cost centers, senior management now understands that the quality of all customer touch points is critical to achieving revenue, profitability, and customer care objectives. As the voice of the company, agents are uniquely positioned to strengthen or weaken brand loyalty and corporate image. In many cases, the agent is the primary or only human contact that customers have with large organizations. If the interaction is favorable, the customer is likely to remain a customer. If unfavorable, the company stands to lose valuable customers and have to expend resources to replace them. Residing within the contact center is a vast reservoir of consumer information that can be mined for a deeper understanding of customer motivations and behaviors. As well, the managements of progressive companies see superior service as a competitive advantage and are equally concerned about both operating costs and customer satisfaction. Industry surveys show that over half of senior managers now view their contact centers as strategic resources.

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Changing Role of the Contact Center

The evolving role of the contact center is compelling contact center managers to rethink the way they measure and evaluate agent and group performance. Today, contact centers are expected to achieve goals that were not part of the plan even five years ago. Examples include:

- Retaining customers
- Growing customer satisfaction
- Resolving customer issues on the first contact
- Increasing revenues
- Evaluating campaign success
- Supplying market intelligence

At the same time, contact centers are still expected to operate at peak efficiency and keep operating costs down. These multiple goals are often in conflict with each other. If agents are expected to resolve queries on the first contact, then handle time is certain to increase. Similarly, asking agents to up-sell and cross-sell means calls will take longer, as agents shift from “service mode” to “sales mode.”

Agent Specialization

The responsibilities of contact centers are expanding as is the amount of knowledge required to do the job. With annual turnover often running at 30 percent or more, there are always agents that are new to the job and still learning. By routing calls to experienced agents with special knowledge or skills, contact centers increase first contact resolution — a very important driver of customer satisfaction.

Revisiting Metrics

As the responsibilities of contact centers evolve to more closely align with corporate goals and strategies, progressive centers are questioning the relevance of many traditional metrics. A good example is average handle time (AHT). The time spent on an interaction may be less consequential where the primary goals are to sustain or increase revenues and to achieve customer satisfaction goals. Examples of “new” metrics include:

- Customer lifetime value
- Revenue per call
- Revenue per agent
- Cross-sell attempts
- Cost per contact, per channel
- Conversion rate
- Top box customer satisfaction
- Top box agent satisfaction
- First call resolution
- Agent retention

New metrics require data from enterprise software that resides in other departments such as human resources, accounting, and sales. Contact center applications need to communicate with disparate systems and databases.

2: Strategy and Objectives

Enterprise goals and strategies should be well understood, but if there is some uncertainty there are several sources that contain this vital information. Public companies issue SEC filings. The annual 10-K is a good source for strategies. The 10-K must be signed off by top management so the information is official. Other sources are investor presentations, executive statements, and the formal business plan. Most large organizations prepare annual or bi-annual business plans that look several years into the future. These include detailed sales and profit forecasts, and key action items.

The goal-setting phase also requires close communications with other departments that can impact call volume and the type of questions callers are likely to ask. This input is valuable for establishing 12-month staffing plans and outlining training requirements. The marketing department is the first place to start. Key marketing and product management personnel should know the product roadmap, including target introduction dates and launch venues. Marketing will also know what new promotions and other events are planned that may spur calling activity — such as new advertising, major community service events, planned store or branch openings, and upcoming changes in pricing policies. Marketing can also tell you what consumer intelligence they need from the contact center.

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The sales department also deserves a call. They should know how many new sales reps are expected to come on board (always a source of new calls) and when, as well as how many major new customers and channel partners will be added. Don't expect them to tell you everything. Some

information, like major new contracts, may be material to the company and therefore confidential. And don't expect everything to work out as planned. Sales and marketing activities are largely driven by competition and other unforeseen events. But at least you will have a starting point from which to build your plan.

Other departments that will have valuable input are human resources, finance/accounting, and information technology. The human resources department can tell you about head count limits and policies regarding compensation, time-off, and new labor regulations. It can advise you of what resources are available for recruiting, training, and evaluation. The finance or accounting functions can show what information is available for calculating costs and revenues, explain the rules for preparing ROI analyses, and tell you the cost ratio for employee benefits and whether or not you need to allocate overhead and depreciation in your internal costing, and if so at what levels. The IT department will know what resources are available to support the contact center, how they will be charged to your budget, and explain the overall technology direction of the company.

Contact center management should always discuss goals with the most senior executive in the direct chain of command. It is very important that everyone agree to critical ongoing targets like shrinkage factors, service levels, and revenue goals — and what authority contact center management has to make changes in work rules and long term strategies like site expansion and use of outsourcers. Once the goals, both corporate level and contact center level, are defined they should be put into writing with sign-offs from your executive.

3: Tactics and Resources — Preparing the Plan

The final piece of the puzzle is drawing up the specific plans and establishing budgets. Action items should have dates and names attached. Objectives need to be clearly spelled out and related to corporate goals. Key performance metrics and targeted achievements need to be identified — and void of jargon and acronyms that may not be widely known.

It is advisable to include a backdrop to the document which shows significant trends in the contact center. Monthly data is more than adequate. Too much information and the reader can get lost in the statistics. Statistical data should be expressed in three categories: **demand, human resources,** and **performance.** Demand data shows how call volume and handle time have trended over the past two years by month. Human resource statistics express total agent hours, compensation, net hiring and attrition. Performance statistics reflect what is most pertinent to meeting objectives in throughput, cost effectiveness, customer satisfaction, and market intelligence.

Based on historical data, your analysis of short and long term trends that directly impact your contact center, and your direct knowledge of what to expect in the next 12 to 24 months, you can begin piecing together the specific tactics. These may include changes (up or down) in headcount; the addition of alternative labor pools, like home agents and outsourcers; investments in training, workforce scheduling, and structural changes like new sites; part time employees; self-service skill groups; cross-selling and the like; and specific investments that need to be made in order to achieve the goals you have committed to.

Once completed and approved by your direct supervisor you should ask for an audience with senior management to formally present the plan. This is a great opportunity to educate them on the workings of the contact center, showcase the talents and contributions of the contact center, and sell your ideas. Because you have the statistical backup, the contact center is in a vastly superior position than other departments also vying for enterprise resources.

Technology Tools

Fortunately, software tools are available to speed and smooth the process. These solutions can absorb and analyze reams of data, then create resource plans based on various assumptions. An example: the Strategic Planning module in the Impact 360 solution from Verint Witness Actionable Solutions creates various “scenarios.” The scenarios are based on details for each queue (volume, AHT, priorities, distributions, etc.). Each queue includes a staffing profile with skills, proficiency levels, hours worked per week, wages and overtime pay, and

shrinkage. Contact centers can create as many scenarios as they wish. Sophisticated mathematical models identify underlying trends and calculate the impact on dependent variables like service levels, revenue, and operating cost based on the parameters of each scenario. The “what if” modeling capabilities let you gauge the impact of various staffing strategies. Understanding the trade-offs among different options is key to gaining a full picture of performance in the contact center and arriving at the optimal balance of resources and results.

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In Conclusion

Planning is a time consuming task that cannot be ignored. There is a lot of wisdom in the old adage, “Failing to plan is planning to fail.” Every contact center does day-to-day tactical planning. Schedules are matched to anticipated demands, agents are recruited, trained, and evaluated, and investments are made in the core applications required to operate a modern contact center.

However, not every contact center attacks strategic planning with the same vigor. The contact center is now a mission critical resource in many businesses and industries, and needs to be closely aligned with the goals and direction of the broader organization. This means understanding these goals and strategies and crafting a plan that is fully in sync — both today and tomorrow. There are tools available today to simplify the process — but these are only tools. The onus for assessing the many internal and external impacts on the contact center and charting a winning strategy can only be done by the people that really know and understand the function.

About the Author

Dick Bucci is senior consultant for The PELORUS Group, www.pelorus-group.com, where he specializes in contact center technologies. He has authored eight in-depth reports on workforce optimization (WFO) solutions, along with more than 20 articles and white papers. Dick also serves as managing director of Technology Marketing Associates, a marketing consulting firm. He has more than 30 years of experience in the telecommunications industry.