

Staffing to Maximize Profitability Can Hiring More Staff Improve the Bottom Line?

Every call center today is taking a hard look at its bottom line. Budgets and operating expenses are being closely scrutinized and there is growing pressure from upper management to do more with less -- sometimes meaning handling more calls with the same number (or even fewer) staff. But while cutting staff expenses may first appear to have a positive impact on the bottom line (after all, it is your call center's largest single expense), cutting staff may actually be saving you less than you think. In fact, it may be true that adding more staff can actually help you improve the bottom line. Here's how!

Traditional methods of determining staff numbers involve the use of Erlang tele-traffic engineering techniques to find the required number of telephone staff to meet a desired service goal. These techniques account for the random arrival of calls in an inbound center and the "hold for the first available agent" queuing patterns. And while nine out of ten call centers use this approach, there is another method of determining staff numbers that is worth considering for call centers that make money when answering calls.

Figuring out the optimal number of staff in a revenue-generating call center (i.e. catalogs, reservations, telesales) involves a relatively simple cost calculation that takes into account overall costs of providing different levels of service to pinpoint the combination that maximizes company profits. The economic components to be considered in the calculation are:

1. **Potential Revenue.** The average revenue per call multiplied by the number of calls forecast for the period. Obviously, call centers taking catalog orders or reservation will have precise measures of this monetary value per call, while centers oriented more towards service and support rather than sales will have a more difficult time estimating this number.
2. **Staffing Cost.** Fully loaded staffing cost including salary, benefits, supervision, equipment, and overhead.
3. **Telephone Cost.** Average cost/hour of answering calls, including long-distance and local charges.
4. **Abandoned Call Cost.** The cost of lost calls. Ignoring abandoned calls is not a "neutral" act. Consider the lost revenue of calls waiting too long in queue, based on caller tolerance to abandon statistics and forecast service levels.

Once management has agreed to the value of all these numbers, the exact number of staff needed to maximize your call center's profitability can be determined. In optimizing the bottom line, you simply seek to balance the cost of adding staff with the increased revenues those staff will be able to generate. Up to a certain point, revenues generated by additional staff will exceed their additional cost. Beyond that number, the additional cost exceeds their revenues.

For example, the number of staff needed to respond to an upcoming catalog mailing is outlined in Table A, based on the following assumptions: the center expects 300 calls in a peak hour, with each order averaging \$50. We also make the assumption that the fully loaded staff cost is \$20 per hour, the cost of 800-service is 15 cents per minute (\$9.00 per hour), and each call takes approximately four minutes (240 seconds) to handle. The call center has traditionally staffed to meet a ASA goal of no more than 30 seconds in queue.

| Number of Staff | 24 | 25 | 26 | 27 | 28 | 29 |
|----------------------------|--------|--------|-------|-------|-------|-------|
| Average Speed of Answer | 30 sec | 15 sec | 8 sec | 5 sec | 2 sec | 1 sec |
| Expected Number Lost Calls | 15 | 10 | 8 | 4 | 2 | 1 |
| Hourly Staff Cost | 480 | 500 | 520 | 540 | 560 | 580 |
| Hourly Telephone Cost | 202 | 191 | 186 | 184 | 182 | 181 |
| Abandoned Call Cost | \$ 750 | 500 | 400 | 200 | 100 | 50 |

Call Value = \$50 , Potential Hourly Revenue = \$15,000
 Net Hourly Revenue \$13,568 \$13,809 \$13,894 \$14,076 \$14,158 \$14,189

This center’s traditional approach to staffing would indicate that 24 staff were required (to meet a 30 second ASA goal, resulting in an hourly net revenue of \$13,568. When the value of a call is \$50 however, common sense would indicate that you should try and capture all calls. And indeed, by staffing to virtually eliminate hold time, the net revenue increases substantially, clearly warranting (and paying for) the additional staff. As shown in the table, each addition in staff improves the speed of answer, thereby shortening the delay time and lowering telephone costs, as well as reducing abandoned calls.

Call Value = \$5, Potential Hourly Revenue = \$1500
 Number of Staff 24 25 26 27 28 29
 Net Hourly Revenue: \$ 743 \$ 759 \$ 754 \$ 750 \$ 748 \$ 734

Even in cases where the value of a call is not nearly so high, net revenues may be positively impacted by adding more staff. In the same example, but in a customer service center with a revenue per call of only \$5 (an estimate of customer retention value), the bottom line improves with an increase in staff from 24 to 25 staff.

Clearly, in a call center where each call adds revenue to the bottom line, take time to consider staffing to the point at which net revenue (and therefore profitability) is maximized. This approach is particularly effective in helping to cost-justify additional staff even during periods when hiring decisions are closely scrutinized.

About the Author....

Penny Reynolds is a Founding Partner of **The Call Center School**, a Nashville, Tennessee based consulting and education company. The company provides a wide range of educational offerings for call center professionals, including traditional classroom courses, web-based seminars, and self-paced e-learning programs. For more information, see www.thecallcenterschool.com or call 615-812-8400