

# KPI's and cost, profit or value-based contact centers

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*By Kathy van de Laar and Christiaan Pothoven*

Key performance indicators are a necessary evil in the call center world. There is a certain order of things that require that call centers focus on measuring the kpi's that represent the role that the call center plays within the company. This article delves into the kpi's associated with each of the different levels of call center development as a guideline to managers and companies about where they should be focusing to know how well they are performing their role within the organization.

There are essentially three levels of development for today's call center. Depending on what role your call center plays in your organisation, you will need to focus on managing different key performance indicators.

## *The contact center as cost center*

Some call centers are still considered to be a cost center and as such are focused more on the economies of scale and efficiency that are required to hold costs in general and cost-to-serve down, or at an acceptable level. The contact center as cost center is often associated with more traditional (or less innovative) organisations, or with organizations which do not yet have, or are not ready for, direct contact with their customers.

For example, we see this quite often in the realm of manufacturing where the organisation is more focused on creating a tangible product and getting it into the market. Ideally, they don't want to have contact with customers and do so primarily in a reactive mode. In this model, more traditional kpi's such as Average Handle Time, Service Level and Average Speed Answer are still alive and thriving.

## *The contact center as profit center*

The next level for a contact center is typically the contact center as profit center. In this situation, there is an opportunity to SELL. Cross-selling to your existing customer base is not only smart, it's profitable, and it is a way to be accessible and easy-to-do business with so that your customers keep coming back.

With this model, there are two scenarios possible. One is that the organisation separates sales and service into two business lines. This is a viable solution when you have a heavy call volume associated with actual sales (customers calling to buy). This is most often the case with more transactional businesses, like home shopping for example. Here you have a marketing and sales strategy where all the power is focused on getting people to contact you to buy. In this case it makes sense to have a separate sales line. When your focus is sales, you should have a sales line where offer rate, conversion, absolute sales and average sale value drive your decision making.

The second scenario is the relationship model. When a business is built on a relationship-based model or uses a wider distribution network, it is better to try to leverage the power of the service

channel for cross-selling within the context of the customer relationship. In this scenario the agents can use the service contact as a springboard for driving additional sales, and use your products and/or services as the solution to a customer problem. It's a no-brainer to sell accessories and spare parts if you have a product-oriented business. For service-based businesses, you can sell contract extensions, additional types of guarantees and new services. It's a very effective approach.

In this scenario, there is one kpi that is the foundation for building a successful "service leads to sales" profit center: first contact resolution. In order to cross-sell customers who contact you directly, it is imperative that you first resolve the customer's question, request or complaint. If the customer has been satisfied and their issue resolved, the conversation can go in any direction you decide to take it, whether that be cross-selling an accessory, recommending a new product, or presenting a special offer for products that will be going out of stock. The higher your first time resolution the more cross-selling opportunities you create for yourself.

Other kpi's that are important in this scenario include the offer rate (the number of times the customer was offered another product or service). This is important because you need to know how well your agents are adopting the desired sales behaviour ("I was hired to be a service agent, not to sell spare parts!"). If there is resistance, you need to evaluate how to take steps to create the desired behaviour change in your organisation. Offer rate is the best way to know whether this is an issue.

After offer rate, you have your sales conversion, the absolute sales and average sale value. These are an indication of how relevant your offering is, how well your agents are making the link between the customers and the products/services (the two should have relevance for each other) and how attractive your pricing is.

### *The contact center as value center*

When a contact center is a value center it plays a critical role in the strategy of the business. In this case it is important to look at which metrics align to the business needs. For example, retention of both customers and staff may be critical to the business. In this case, you want to set up to measure churn and create a winback program or a save desk to demonstrate value. For your resources, if the role that your agents play has a long ramp up period of 6 months or so before agents are able to effectively perform their job, you will want to focus on measuring and managing employee turnover. And in both cases you will want to analyse the root causes of why you are losing customers or employees so that you can effectively adjust your work processes to improve the outcome.

First and foremost in this scenario is to understand the expectations and the opportunities and to build a long-term plan. Once your plan is clear, you can select the metrics that give you the best view of how well you are delivering on your business objectives in support of the strategy.

Another important element is making sure that you have a view of the customer and the value you bring from an external perspective. A value center is able to balance the business objectives of sales and service with those of the customer and deliver an optimal result. Customer satisfaction results are useful to understand what you are doing well and what can be improved.

Another metric to give insight into how your customers view you, is the Net Promoter Score. Net Promoter Score is a simple metric that measures whether or not your customers would recommend you to their friends and family. Many companies who use this metric ask only a handful of questions including the recommendation question and a why or why not follow up question. This is a customer metric that can be very useful to you to quantify “voice of the customer”.

### *When you have an outsourced center*

When your business includes an outsourced call center it is critical that you have your kpi's in the contract in line with your company vision and business objectives. Outsource centers deliver on what is in the contract, no more and no less. If you decide mid-way in your contract period that you want to start cross-selling, be sure that the outsource vendor is part of the planning and that you work closely with them to transition to the new model, including all relevant changes in the contract.

### *Trends are more important than absolute performance*

Percentages and trends tell a more important story than the metrics themselves. It's important that no matter what your current level of performance is, you understand which metrics are most important to your overall business results and your customers, and to understand where to invest your resources and budget to drive the right metrics in the right direction.

## **About the Authors**

Kathy van de Laar and Christiaan Pothoven are founders of Van de Laar / Pothoven, a strategy bureau specialized in one-to-one customer contact. Their clients include Philips, ABN Amro, and the Dutch Railway. Van de Laar / Pothoven ([www.vandelaarpothoven.nl](http://www.vandelaarpothoven.nl)) is based in Amsterdam, the Netherlands.