

“Building a Winning Business Case”

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Why is it when you mention to someone that you work in your company’s customer care or call center organization, seven times out of ten, the first question is about technology - “What CRM system are you using? What kind of PBX do you have? Are you using web chat or co-browsing internet applications?” While we all love to rave about the cool new technologies we are using, I usually feel like responding with - “Who cares?”

Sure, I consider myself a technology guy, but the fact of the matter is - call centers are not about technology; but the strategy, people, and processes that are “enabled” by our beloved technologies. The people that *really* matter - your customers and executive management team - could care less whether your front-office solution is from the leading Tier I application provider or patched together in-house. In fact, if you were able to deliver sales and excellent customer service with the latter approach, you’d be even more of a hero.



So what’s the point of this technology rant?

When considering a new technology and building a business case to support it, put yourself in the shoes of the person who signs the check and ask, “Who cares?”

Whether it is true or not, assume that they don’t care about the cutting edge features and functionality new technology will bring your company. Assume they only care about how the impact of this impending capital expenditure and how on-going costs will impact the bottom line while delivering higher customer loyalty and retention. If you cannot comprehensively address these concerns, perhaps the technology purchase should be re-evaluated.

Putting together a rock-solid business case for contact center technology investment is no easy task - and becomes more difficult when “soft” benefits like customer satisfaction, loyalty, and share of wallet are included.

*So how can you best deliver a winning proposal - the following **five principles** will get you well on your way:*

Five Principles to a Winning Business Case

[one] Enlist Company Experts to Form a “Steering Committee”

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Who typically gives the thumbs-up or thumbs-down for a proposed technology expenditure? | <i>Finance</i> |
| Who best quantifies the “soft” customer impact (satisfaction loyalty) that is often the key to positive ROI, yet is also the easiest for decision makers to shoot holes in? | <i>Marketing</i> |
| Who has the most credibility to demonstrate the benefits associated with knowledge management, training software, or staffing reduction/reallocation? | <i>Human Resources</i> |
| Who understands the impact improved customer feedback could make relative to product defects, warranty and returns? | <i>Product Development</i> |

The point is that the more widespread the buy-in and up-front business case inputs from company experts, the better the likelihood of a positive purchasing decision. Don’t fall prey to the temptation of proving your worth and expertise by doing it all yourself!

[two] Understand the “Current State” of the Contact Center

The next step is to really understand the cost and revenue drivers of your contact center. Start with the current key performance indicators (KPIs) of the customer care operation.

Different industries and companies use unique metrics - don't limit the review to just your current Key Performance Indicators (KPIs) . The business case preparation will help to identify overlooked items. Understanding the key indicators provides a baseline upon which to build business case financial models and track post-implementation success. Opportunities to uncover cost tradeoffs (e.g. staff for technology) must also be scrutinized to strengthen the proposal.



Key Performance Indicators affect organizational cost and revenue opportunities:

- Personnel Turnover Rates
- Call Hold Times
- Call Talk Times
- Transfer Rates
- Customer Satisfaction Ratings
- Self Service Ratios
- New Customer Acquisition/Agent
- Agent Utilization

[three] “Quick Hits” and Timing of Inflows / Outflows

Good financial tactics teach us that benefits obtained early from an investment are preferred to those obtained later.

Which of these scenarios would be easier for you to approve?

Project 1: Net Benefit per month of \$100k X 12 months = \$1.2m

Project 2: Net Benefit month 1-3 of \$250k/month, plus month 4-12 of \$50k = \$1.2m

Both scenarios offer the same Net Benefit, but it's a no-brainer to choose Project 2 based on lower risk. Risk is reduced not only because of the financial concept of Present Value (a dollar today is worth more than a dollar tomorrow), but also because near-term payback projections are more certain than longer term.

Moral: “Quick Hits” will lead you to the pot-o-gold!

The first place to look for quick hits in contact centers is personnel expense - typically 60%-75% of the expense budget. I am not suggesting that you start filling out pink slips, only that any customer interaction process that requires a human touch costs significantly more than an automated technique.

Abating a customer call using web self-help saves over five dollars per interaction (Avg. call center phone support = \$5.50 vs. web self help = \$0.24, source: Gartner Measurement). You also free up agents to deliver higher value-add services that could generate incremental sales revenue.

[four] Include and Present Properly Information Required for Funding Approval

It is amazing how much time and effort can be saved and a corresponding increased likelihood of approval, by simply understanding the requirements for approval. Understand what the CFO or approval body needs to see as part of a funding request. By considering the internal ‘hurdle rate’ (the required return on capital investment) and following formal proposal processes, you can increase your chances of having your proposal approved.

You'll be hard pressed to put your business case together without turning to the “old faithful” Return on Investment (ROI) model. This critical measure addresses how long an investment takes to payoff and begins contributing to the bottom-line. The “incremental” approach to ROI focuses solely on net changes to the baseline revenue/expense budget (Principle 3) and provides a clear and straightforward explanation of the impact of a given investment. These incremental benefits would then be multiplied by the number of interactions per month to generate a monthly net benefit from the investment. The same procedure would be used for incremental costs.

For example, line item net savings/benefits are articulated as follows:

- *\$0.75/Call: Reduced agent handle time*
- *\$4.00/Call: IVR handle vs. Agent handle*
- *\$7.75/Sale: Increased revenue/sale with dynamic automated sales prompting*

Typical payback for call center technology solutions:

| | |
|----------------------------------------------|------------------------------------------------|
| <i>Email response management systems</i> | <i>3-6 months → (Quick Payback)</i> |
| <i>Web self-service/FAQ</i> | <i>3-6 months → (Quick Payback)</i> |
| <i>Speech recognition</i> | <i>6-9 months → (Quick Payback)</i> |
| <i>Large scale CRM application solutions</i> | <i>Exceed 24 months → (High Failure Rates)</i> |

Current required payback for most call center investments is between 6-18 months.

A final note on properly presenting the business case to executive management is the importance of detailed documentation of all assumptions. The source and derivations of all numbers should be apparent (Principle 1 - reference the internal company experts for credibility). Use independent sources (Gartner Group, Forrester) for external information; rely sparingly on vendor provided information.

[five] Understand Risk and Scenario Analysis

After utilizing Principles 1-4 to define input variables, building the financial models, and populating those models with data, we must still assess the probability that our predictions will not come true. Presenting one "final" number to the CFO is a sure fire way to get sent back to the drawing board with zero dollars in your pocket.

Scenario analysis provides a structure allowing for uncertainty in assumptions. Uncertainty equates to firm-wide risk and jeopardizes any benefits outlined in your proposal. In its simplest form, scenario analysis consists of three possible outcomes:

1. Best Case
2. Worst Case
3. Most Likely Case

These scenarios are sufficient to answer the basic "What If" questions. The important consideration when using this, or more advanced statistical simulation methods, is to know which cost/benefit line items within your model deliver the greatest impact. Focus in on the five main drivers with the greatest impact and ensure that these variables are tightly defined and adequately supported. Point out these variables to the decision makers and proactively address risk as well as mitigating factors.

Conclusion

...And you thought technology was all bits and bytes. To successfully get your contact center technology projects off the ground requires a solid understanding of the business and financial fundamentals of your customer care organization followed by properly articulating that understanding through a compelling business case. Remember, to create a business case they can't say no to - keep asking yourself - *"Who Cares?"*

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About the Author

Scott Walsh has ten years experience in the contact center and telecommunications market as both a consultant and direct industry participant. He brings a breadth of skills to project work including: Strategy - visioning, functional alignment, channel integration; Technology - particular emphasis on IVR, CTI, and CRM; Process - staffing analysis and modeling, process automation/technology enablement, and performance management. Scott has an MBA from the University of Michigan Business School and a BBA, finance from the University of Georgia. Comments and inquiries can be directed to Scott at swalsh@customergroup.com.

About The Customer Group, LLC

Founded in 1999, The Customer Group, LLC (TCG) is a niche consulting firm, focused on Customer Interaction Excellence™. TCG's world-class team of consultants average over 10 years of real world experience in customer-facing operations. Using TCG's proven methodology, CustomerAcuity™, they work with companies to enhance the customer experience. The Customer Group believes that customer relationships drive business results and relationships are built one interaction at time. Their results-driven and experienced based approach delivers pragmatic solutions and tangible results. Customers include AT&T Broadband, BankOne, Orbitz.com, InsuranceNoodle.com, Pampered Chef, among others. While there is great diversity within TCG's customer base, there is one commonality - the desire to enhance the customer's experience. For more information, please visit www.customergroup.com or call 800-452-9588.