

# **Wharton Financial Institutions Center**

## **The Call Center Forum**

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### **Call Center Management to Create Competitive Advantage**

On November 13 and 14 the Call Center Forum held its autumn meeting in Philadelphia, marking the beginning of the second year of this industry-academic research partnership. Institutional membership in the Forum has expanded somewhat and reflects the broad financial services spectrum, including not only commercial banks but brokerage firms, insurance companies and diversified financial service providers.

The meeting agenda included a mix of reporting on research results and member led discussions. Ann Evenson and John Chevrette outlined the latest set of findings from the Call Center surveys followed by Phil Brown's presentation on the mbanx business model. Noah Gans discussed his evolving research on the effect of employee learning on scheduling and other operational variables. Frances Frei outlined her initial work with a number of the Forum members on PC - Access which was followed by Willie Wilson's description of Citibank's call center integration efforts.

Our dinner speaker on Thursday evening was Roger Kingsland, Managing Partner of KSBA Architects, a Pittsburgh based firm specializing in the physical design of call centers. Roger's remarks focused on connecting call center design features with improved productivity and a return on investment perspective.

During lunch on Friday, we walked through the newly re-designed Call Center Forum web site, including a pass-word protected "members only" section. In addition to providing Forum members with updated information, the site is intended to represent a "virtual community" where Wharton researchers and industry partners can meet outside our structured meetings.

A key role of Forum members is to provide an advisory function, guiding and helping to evolve the research agenda. Towards that end, the meeting included an open discussion on emerging issues facing call center managements. From these conversations, it is clear that the challenges and opportunities currently being addressed by all institutions extend beyond the Forum's initial focus on call center productivity. Issues around the customer experience, maximizing returns on human capital, and the nature of value creation in non-physical channels were all top-of-mind concerns. The productivity questions continue to be important but increasingly members wish to see these questions addressed within the broader contexts.

The next meeting of the Forum will be on May 7 and 8, 1998. These dates were chosen to coincide with the Financial Institutions Center sponsored academic conference on call center management which will take place on Saturday, May 9.

What follows is a brief "snapshot" of the November meeting, highlighting key elements from the discussions.

## Survey of Call Center Practices

John Chevette and Gayle Horton from the Center for Performance Measurement and Ann Evenson from Wharton led a discussion on the most recent survey results. This on-going effort of the Forum has as its goal to create detailed survey data among members. The intent is not to replicate “best practices” bench marking initiatives but rather to develop information that leads to new insights in call center management. The survey has evolved from its initial focus on costs and productivity to broader strategic management issues.

Survey results were reviewed including data on costs, sales and other effectiveness measures, and human capital. On the cost side, it is apparent that those institutions with a greater sales focus incur high costs per FTE. More surprising was the variability seen in total costs per FTE among the service oriented firms. This may in part be explained by difficulty in collecting accurate non-labor costs across institutions which needs to be addressed. In the discussion that followed, several members expressed interest in also isolating the cost of turnover and its relation to other cost and performance outcomes.

In reviewing effectiveness measures, discussion of data on VRU usage revealed a fair amount of apparent variation in menu complexity. This led to a question as to whether the relative complexity of a VRU resulted in more CSR calls and the even more fundamental question of how the VRU could be re-engineered to provide more than “traffic cop” functionality.

Among the issues raised in the discussion in the human capital section, turnover was clearly identified as a critical and vexing problem. While noting the inverse correlation between turnover and tenure, the real question becomes what drives tenure. Some suggestions for future analysis

included the impacts of career path opportunities, perception of equity in compensation differentials, and scheduling. The theoretical model outlined suggested an “efficient frontier” type of approach taking into account multiple inputs.

Over the coming months, efforts will be made to incorporate survey data from new members, correct old data as needed and develop further analyses. Ultimately, we will be putting survey results in the password protected portion of the website and going forward, hope to use the site for actual surveying.

## Focus on Revenues: The mbanx Experience

Phil Brown introduced the Forum members to Bank of Montreal’s separately branded direct banking arm, mbanx. As Phil explained, the development of mbanx as a distinct entity goes to the heart of the revenue question facing many direct banking and call center managers. In developing the structure, the management team was given the mandate to compete head-on with the bank’s branch delivery model, in the words of bank management to “be our worst nightmare.” In doing so, the mbanx design started from the premise that the offering had to go beyond the limitations of a simple pricing or distribution play. The result is a unique value proposition based on an extremely high level of customer service delivered by trained CSR’s. The intent is to bring a private banking feel to the telephone and electronic channels of a direct bank.

To make the economics work they have targeted a market segment which responds to the direct access channel and is willing to pay for the enhanced quality of service. Service pricing and incentives are structured to encourage multiple product usage. At the same time product and

process re-designs continually focus on improving the ease, speed and information content of product delivery which also serves to further differentiate mbanx from the traditional retail branch delivery service.

In the discussion, Phil made the point that the creation of a separate mbanx organizational structure and unique branding were critical strategic decisions. As he noted, the separate brand provides the “permission to differentiate” and creates the innovative internal culture that they believe will be critical to the enterprise’s success.

### **Employee Learning and Turnover: A New Research Initiative**

Noah Gans outlined a new research initiative dealing with how the dynamics of CSR learning and turnover affect call operations. How are the various operating characteristics such as costs associated with customer waiting, and CSR hiring, training and separation expenses impacted by learning and turnover? Based on a better understanding of these operating dynamics, the research will apply modern queuing theory and statistical modeling techniques in attempting to define how these interacting forces might improve short-term call routing decisions.

Initial research on the project has yielded some early insights into these questions. The preliminary evidence suggests that CSR call times exhibit classic learning-curve behavior demonstrated in other research findings. This further suggests that the learning - curve may be an effective way to model the evolution of call times. Even more preliminary work suggests that “threshold” policies, which may make customers wait for faster CSR’s even though slower reps

might be available, may be an effective tool in reducing customer connect times.

In the discussion, Forum members indicated a keen interest in developing better insights into the effects of tenure and other variables on CSR turnover rates. It was also agreed that while there are other factors to consider in making routing decisions, the proposed research will add to our understanding of critical issues in an environment becoming increasingly complex with the development of skill-based routing strategies.

Several of the members expressed interest in working with Noah to develop data to pursue these initiatives with more to be reported in the Spring meeting.

### **PC Pilot Study**

Over the past six months Frances Frei has been meeting with a subgroup of Forum members to discuss emerging PC access issues. An initial survey instrument was developed and the results discussed at a workshop held in Philadelphia on October 24. During the November meeting Frances described a number of initial findings and discussed future research directions. The results of the pilot survey were distributed with the meeting materials.

Frances’ remarks centered on providing a framework for thinking about PC-based financial services. She described a conceptual model where one could think about a matrix around the two key PC - based financial service functions; communications and transactions. Within these two dimensions there are multiple combinations pairing firms and consumers. As noted, there are many examples of firm- to-consumer communication over the PC channel and an increasing number of consumer- to-firm transaction activities. Is there unexplored potential for firm sponsored customer-to-

customer communications? Does the Amazon.com consumer forum notion offer opportunities to financial service providers?

In further assessing the communications dimensions Frances offered some initial thoughts on the potential impact of this medium on the cost structure of information delivery and retrieval. In addition to supporting traditional advertising and customer service functions, the electronic channel offers firms unique opportunities for customizing individual or segment specific communications. At the same time, tracking consumer movements within a web-site and/or through targeted information requests, there exists an enormous potential to extract useful market research data. Consumers have similar opportunities to lower information acquisition costs in searching for product information and can also efficiently communicate buying preferences. In this view, the PC channel can be seen as creating "win-win" situations in which both firm and consumer information costs are reduced through more productive communications.

Frances also reviewed four current models for delivering PC access: Proprietary Dial - Up Service, Use of Third-Party Software (Quicken), On-Line Service Providers (AOL) and the World Wide Web. Each of these structures contains trade-offs in areas of control, features and customer reach. In some sense, the Web model offers the greatest convenience but as one Forum member noted, you are subject to the vagaries of the network. Delays encountered in the internet during the October stock market decline created serious difficulties for institutions offering trading services on the Web.

Frances's section closed with an invitation to those who did not participate in the pilot to do so by contacting Tina Horowitz, Project Manager, at 215-573-7382. It is expected that specific

research topics will emerge from this pilot exercise and the Forum members endorsed continued investigation of these issues. As noted, these issues are not only impacting activity in call centers today but may well alter the nature of call center functions in the future.

## **U.S. Citibanking Center**

Willie Wilson of Citibank provided insights into one company's experience in managing a range of functions and remote banking delivery channels, including PC banking, in a call center environment.

Willie's remarks were set in the broad context of the firm's total quality initiative. This multi-dimensional management approach is aimed at integrating call center activities within a customer-focused environment. The intent is to "focus (the) whole organization on sales/service."

The Citibank model emphasizes training and skill building as a cornerstone of its call center management process. PC banking reps go through the same initial training as phone center reps. This process takes the reps through four phases of skill development beginning with "Entry" through "Mastery," a process that can take up to 36 or more months. Beyond these levels are additional capabilities required for more specialized functions and/or customer segments. In essence, reps can move along a defined professional path requiring increasing skills and knowledge.

In discussing the Citibank approach, several Forum members commented on the relevance of career pathing to successful call center management. While noting that they were still building the structure to provide clear career path

opportunities, Willie agreed this was a priority in the Citibank model. Some of the Center's research in call centers as well as in other financial service environments confirms the importance of growth opportunities and other non-monetary motivators in successfully managing in high-turnover environments. Citibank is developing metrics to test these and other performance issues as it moves forward with its commitment and investment in training.

### **Call Center Forum Web Site**

Ed Tatum introduced Forum members to our new, dedicated website. Developed over the past several months, the new site incorporates a password-protected feature to facilitate private electronic communication among members of the Forum. The site includes newsletter reports, a bibliography of articles on call center research and links to other related websites and publications.

The intent is to provide a "virtual community" for Forum members. Your thoughts and suggestions for content are encouraged. As suggested at the November meeting, we will be testing an open "chat session" feature and will advise you of the topic and time in the coming weeks.

The site can be accessed via the Financial Institutions Center at <http://fic.wharton.upenn.edu/fic> or directly by adding [\\_wfic/forum/forums.html](http://fic.wharton.upenn.edu/fic/forum/forums.html). Please contact Ed Tatum at 215-573-5838 for a user name and password.

### **The 1997 - 1998 Program Agenda**

Pat Harker closed the meeting by leading a discussion on the critical issues facing call center managements. Comments were categorized under the following broad headings:

*Human Capital*

*Productivity*

*Products & Services*

*Value Creation*

*Customer Experience*

Following the discussions, members voted their preferences and were invited to add specific comments. By a wide margin, issues associated with customer experience, human capital and value creation were most often cited. This directional input will be helpful to the research team in orienting on-going research and identifying new areas for study. In this spirit it was noted that Lorna Doucet's multi-year research into a variety of human resource issues within call centers will be featured in the Spring meeting.

The Spring meeting of the Forum will be held on May 7 and 8. These dates were chosen to coincide with an academic conference being hosted by the Financial Institutions Center at Wharton on May 9. The conference is intended to bring together leading academics from the U.S. and abroad to report on new research in call center management. Forum members will be invited to attend and more information will be sent out in the coming weeks.

### **1997-98 Call Center Forum Members**

Bank of Montreal, mbanx

Barnett Banks, Inc.

The Charles Schwab Corporation

The Chase Manhattan Bank, N.A.

Citicorp

Fleet Financial Group

Key Corp.

Merrill Lynch

NationsBank

USAA

The Vanguard Group