



Tasha's Diagnosis Memo




Memorandum

To: Dmitri
From: Tasha

 Subject: Reasons for Rise in Call Center Costs

 Two weeks ago, you and I looked at the year-to-date call center numbers and found that hiring and training expenditures are significantly over budget. We both know that we've had more turnover recently, but neither one of us expected such a large jump in related costs. You asked me to investigate why this is happening.

 I've come to the conclusion that there are three main causes behind the problem: turnover, understaffing, and a shift in marketing.

Turnover

We have had a turnover rate well below the industry average. It is one of the reasons our operation is recognized as the best in the industry. However, turnover has surged: It is 100 percent higher. The sudden spike wouldn't be so alarming if it was a short-term problem, but it has continued for the entire year.

Periodically attrition goes up. For example, at the end of the summer, we sometimes have a number of reps who quit to go back to college. But some of our most experienced and productive reps have quit: Hiroko, Jack, Agata, Rosa, and Ursula. I'm told that more are considering leaving. Skilled and seasoned employees are harder and more expensive to replace.

It looks like the overall department budget will exceed this year's cost target by about \$303,000. Most of the increase, \$200,000, is attributable to overtime, temporary help (new reps are less productive than experienced reps), and hiring and training expenses associated with replacements. As you can see, turnover is the main driver of higher costs.

Understaffing

Our company prides itself on running a lean operation. Managers are trained to regard hiring as the wrong solution to most problems. We have followed that philosophy successfully in the call center. However, the budget problem is different—it's directly connected to understaffing.

Eighteen months ago, we had the small percentage of unused capacity we always budget for. It gave us a buffer for temporary surges in service requests from all sources, absences of reps, meetings, and other reasons. We're now in a very different place: Daily customer volume currently exceeds capacity an average of 15 percent.

Here are a few numbers that show the effect of this change and confirm a decline in customer service quality:

- The number of callers put on hold is up 15 percent.
- The number of abandoned calls is up 13 percent.
- The average call length is up 2 minutes.
- Customer complaints about service are up 27 percent.

Customers who request a Spanish-speaking rep account for more than half of the increased call volume. This explains the worst call bottleneck: lack of capacity for Spanish speakers.

According to exit interviews and my observations, the experienced reps are leaving due to overwork and stress. As senior reps leave, inexperienced people take their places; however, inexperience employees can't maintain the call volume of experienced people and look for help from more knowledgeable team members, which in turn increases stress on them. This is a classic vicious cycle. The exodus is reflected in our budget numbers.

Shift in Marketing

Two years ago, the company decided to market more aggressively to Spanish speakers. At the time, we talked about the potential impact on customer service and you requested authorization to hire more bilingual reps. The request was tabled until there was hard evidence that the campaign was working. I talked to someone I know in marketing and was told that the sales numbers for the Spanish-language segment look great.

More customers translate into more calls, emails, and live chat requests. More Spanish-speaking customers puts particular pressure

on our bilingual reps. As I've shown, service call volume from all sources has exceeded our capacity, leading to turnover and the costs we are seeing in the budget reports.



Conclusion

The call center problem can only be solved by hiring additional full-time reps who are bilingual in English and Spanish. That solution will save us money over time and prevent a drop in customer service quality that could drive customers away.