

# **SO.... YOU WANT TO START A CALL CENTRE? Think before you leap!**

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I wish that I could tell you that setting up a call center is easy, . In fact, It's not. it is an extremely complex task and an extremely risky one - even for entrepreneurs who might have operational experience in call centres. However, all is not lost; it is not impossible.

An efficient, effective and profitable call centres is a delicate balance between the People, the Processes, the Data, Technologies, Management expertise and, of course, the customers or the clients. Experience has shown that if only one of these critical areas is not correctly structured and operating flawlessly, the entire operation is doomed to fail.

You can look at a call centre in just the same way as one looks at a restaurant. The “back office” (kitchen) produces the product (food) and the waiters (agents) are the interface between the kitchen and the customers. A lot of things make for the success or the failure of the restaurant operation. The location. The ‘branding’. The décor – the ergonomics. The waiters and how well (or badly) they have been trained. The produce and ingredients that go into the food – the call centre’s products and call scripts. The Preparation and the quality of the food (and how well trained kitchen staff are). The management (front office manager and the Head Chef) etc. And then how the waitress (call centre agent) interfaces with the customer (client) and ensures that all his/her needs are met via the kitchen (fulfillment and call closure). As in the restaurant, so in the call centre – You have one shot at success else your customer 90% of the time will not return – not great for the bottom line.

So... When you think about starting up a new call centre, think “What would I need to start a great restaurant?”. Would you do it all alone, with little or no experience or personal expertise? Can you learn how to set up and run a profitable restaurant from a book or by going on a short course? The obvious answer is definitely NO. But it makes one think....

Without operational experience one has to gather a huge amount of information and knowledge to make sure that as an entrepreneur and an investor none of the many potentially critical mistakes are made. Certainly there are many good books on the subject of call centres and some of these focus on the basics of setting up and others on the management and operational side of the enterprise. A quick web search or a visit to [www.amazon.com](http://www.amazon.com) will give you many options to choose from. (Remember to use the American spelling of the word ‘Center’ in “Call Centers” ).

I personally recommend a book called “Call Centers for Dummies” by Réal Bergevin ISBN: 0-470-83549-4 (Pity about the name) as it is in my opinion one of the best overall books on this subject currently available. You can order it on [amazon.com](http://amazon.com) for about US\$15 plus post or courier charges. Also available from [http://www.nucomm.net/solutions/callcenterfordummiesform\\_IE.asp](http://www.nucomm.net/solutions/callcenterfordummiesform_IE.asp)

If your intention is to focus on inbound call centre operations I can also highly recommend a book called “Call Centre Management on Fast Forward” by Brad Cleveland. (ISBN 1-932558-06-3) There is a new, updated and expanded edition of this classic work available and you can order it on the International Customer Management Institute website at [www.icmi.com](http://www.icmi.com) (Go to Publications / Books) It will cost you about US\$35 plus post or courier charges.

For anyone seriously interested in gathering more knowledge and information about setting up a new call centre or optimizing or expanding an existing call centre I run a number of workshop seminars designed for managers and executives considering setting up corporate call centres as well as for potential commercial or outsource call centre operators. The first 2 day course is called “World Class Call Centres – Understanding the Key Strategic Issues”. Although it is a 2 day course, the material that one has to cover in this time only allows us to look at the issues on a very high level and so I have now developed a second 2 day course called “ Planning, Building and Operating a World Class Call Centre” and this provides a lot more details and more “how to” information. Depending on the size of the organization and the capital and manpower resources available, in some cases the two courses do provide sufficient high-level knowledge to allow the call centre development project to move ahead.

Normally, given the information that they gather on the courses the people who have been through the training are ready to start putting the new call centre project into place. This is where we run a two or a three day internal corporate workshop at which the overall project is scoped, quantified and planned and a detailed budget is compiled. The workshop participants are each tasked with different aspects of the project and it moves ahead. But the bottom line is that even with all this training and advice, it will still not guarantee success. As the call centre project develops (and it can take as long as a year before it becomes operational) there will be literally hundreds of questions to be asked and as many critical decisions to be made. Only hard-won experience and knowledge will help and this is where the astute project leader relies on an external professional consultant.

Now you may be thinking that all the above only applies to large corporate call centres. You may be thinking, "I only want to start a small operation. Why do I have to go to all that trouble?". Regretfully, all of the basic principles that apply to large corporate call centres apply equally to small 5 and 10 seat call centres. In fact, the risks are – in my opinion, far greater in the case of a small or micro operation because in these instances most entrepreneurs just do not have the skills, the existing expertise, experience and the capital that the corporates have. So, the critical importance of gaining skills, knowledge, expertise and experience cannot be under estimated.

It is unfortunate that in many press reports the call centre industry has been cited as a "get-rich-quick" opportunity for entrepreneurs. Some journalists look at the vast amount of outsource business that has – for example – been contracted out by American and European companies to call centre operations in India, Philippines and Malaysia. Yes, the market potential runs to hundreds of millions and even billions of dollars. And it is also true that on a far, far smaller scale, South Africa is starting to attract some large international outsource call centre projects. But the reality is that most international outsource clients are incredibly careful as to where they place their business. After all, outsourcing an important function like customer service or sales to an unknown call centre operator carries huge risks for them.

So.. What do major international outsourcers look for? ( no... What do they **insist** on). Basically, they are looking to achieve two things. Firstly, cost savings and these need to be substantial. And by 'substantial, it means that an outsourcing client will need to look to achieve a 30% to 40% saving in order to consider the potentially hazardous move. Secondly, they are looking for 'quality' and the company awarded an outsource contract must be able to do the job as well – if not better – than the client himself.

Let's address the Cost and Price issue first. To set up and run an outsource call centre and to win contracts and make a profit one has to run a relatively large scale operation in order to achieve even the first levels of "economies of scale". So, in most cases a call centre operation of under 100 seats, just cannot achieve these kinds of savings. Secondly, to be price-competitive the operation must be incredibly efficient. This means that from the most senior management down to the lowliest call centre agent, there must be a huge amount of operational experience and expertise. This kind of skill and experience is just not present in new or start-up call centres. It only comes with time. And well proven operational experience and past success is the second aspect that a potential outsource client will almost certainly demand.

Thirdly, the call centre winning an international outsource contract must have sufficient capital to sustain hugely expensive operations. Capital resources and Cash-flow will make or break the financial viability of the operation.

So bottom line is that until a call centre has become well established in the local environment; has a solid track record of success with credible clients and has earned a great deal of operational expertise, it is highly unlikely that it will win any international outsource contracts that are actually worth taking on. And herein is another warning to all would-be call centre operators.....

There many international call centre outsourcing brokers and agents out there (and a growing number here in South Africa too) who pry on inexperienced call centre entrepreneurs by promising large and profitable call centre contracts even to new and start-up operations with little or no experience whatsoever. Most of these types of contracts mean that the call centre carries 100% risk. In other words, the call centre must have the infrastructure including the offices, technology etc. as well as the management and agent manpower to mount outbound telesales campaigns. What's more, they will need a huge amount of capital to fund the campaign. And as I mentioned, all at 100% risk. It's a matter of 'Make the sales and earn the commission'. So, where's the catch? Well... There are several 'catches'.

For starters, telesales has just got to be the most difficult type of call centre operation that you can possibly imagine. To make any profit from telesales EVERYTHING has to be 100% right. It has to be the right

product targeted into the right market. The calling database has to be 100% up to date and appropriate to the market. The calling campaign and the use of key words in well-defined call scripts has to be 100% right. The management, supervisors and the agents need to have high-level skills. And I do mean the highest possible skills, expertise and I stress, experience – specifically in telesales. So, agent selection and training has to be 100% as does the on-going monitoring and coaching of sales staff.

The so-called 'back office operations' or fulfillment side of the campaign has to be 100% efficient and effective. This will include all the statistical reporting and other key data that the paying client will expect and demand and will certainly hold back payments on unless it is 100% accurate and delivered on time. Then the technology has to be 100% appropriate to outbound telesales. It's not just a matter of getting a calling list of numbers and getting the agents to make the calls. It doesn't take a rocket scientist to work out the hourly cost of running an operation. This takes **everything** into account from office space rentals to management, training and staffing, not to mention the huge cost of telecommunications. So, starting with a known hourly cost of operation, a manually dialed telesales campaign will – at very best – show that agents are able to actually talk to potential customers for about 10 to 15 minutes in each hour. That's not very efficient or productive at all. So, the cost per call minute or the cost per completed sale is very, very high. However, the competitive telesales call centres use extremely sophisticated and expensive technology called "predictive dialing". Using this type of technology means that agents can achieve as much as 45 or 50 minutes per hour 'talk time' and therefore can definitely make three to four times more calls and consequently three to four times more sales than would be the case in a 'manual' call centre – however this is a costly piece of technology for a start-up.

Here's another catch. In some instances, the so-called 'brokers' or 'consultants' that bring these types of 100% risk contacts also insist that the call centre uses "their recommended" telecommunication carrier – for example an alternative to Telkom using what is known as VoIP (Voice over Internet Protocol). This is significantly cheaper than the traditional 'Telkom Type' telephony. But, the broker or agent is actually taking a significant percentage or a commission on the cost of telecommunications that the call centre will have to pay – whether or not they make a single sale! And international call charges can run into tens of thousands of Rands very, very quickly!

Then, assuming that (largely by luck) the call centre actually manages to sell some of these products or services. Then what? Well, by the time the so-called agent or broker has taken off his fee or commission and argued on every point about why commission should be held back or not paid on certain sales, the truth of the matter is very often there's not even enough to cover the cost of the campaign. Let's not even discuss the almost impossible task of trying to sue – for example – a UK-based company or broker. Meanwhile, the call centre has carried all of its infrastructural costs, staffing costs and telecom costs. Then what?

Now this type of bad practice is starting to happen on a growing scale here in South Africa. Certain so-called 'consultants' are urging entrepreneurs to set up small call centres and they are 'promising' profitable local and international campaigns and tragically, many entrepreneurs have got caught in their trap. In some cases they will sell the entrepreneur technologies that are not appropriate to call centre operations at all and at a hugely marked-up price too. Secondly, the entrepreneur will be forced into signing both a 'management consulting contract' as well as a technology maintenance contract – these contracts alone can run to tens of thousands of Rands a month and they are almost impossible to get out of. Then here's another catch. Some of these unscrupulous operators will insist (contractually) that the call centre operates only on one or more of the cellphone networks. And the entrepreneur has to buy his 'airtime' from the consultant. In other words, not Telkom and not even one of the legitimate and ethical alternative VoIP carriers. So, the call centre starts off with a huge telecommunications cost burden and the 'consultants' make a huge profit out of the commissions that they earn on the calls – all at cellular rates. Do they care if you make sales or not? Not a chance. Their real interest is that the call centre just makes as many calls as possible.

To make this tragic scenario even worse, most of these types of contracts demand that the call centres source their own sales leads. To the largely inexperienced entrepreneur with little or no experience or knowledge about the telemarketing industry many turn to some of the obvious (cheap or free) sources of telephone numbers and names – telephone directories. Any professional telemarketer will tell you that in most instances and probably no matter what the product is, the correct database or list is 'mission critical' to the success of any campaign and possibly more important than the product on offer itself!

So. Do you still want to start a call centre? If so, here are a few closing pointers.

Unless you have extensive operational experience in call centres or you have business partners who bring all of these essential skills to the new venture and in a hands-on way, I might say that it will be virtually

impossible to make a success of the venture in the short term. The call centre business is definitely not a 'get-rich-quick' business.

Secondly, before you commit to starting your new call centre spend a lot of time reading recommended books, visiting the literally hundreds of websites on the subject of call centres and above all, visit as many call centres as you can and talk to the people running them. If possible partner or put a joint venture together with a company that already has been through the agonies of making costly mistakes and who now have successful call centre operations. Reach a cooperation or joint venture agreement.

The third piece of advice is: Please be critically aware of unscrupulous consultants, technology suppliers and brokers and be extra cautious about any kind of 100% risk-based telesales campaigns. Finally, (and this is possibly the best advice that I can give) join any one of the four regional call centre associations in South Africa and **only** deal with companies that are members of one or more of the call centre associations or bodies or that are recommended by them. Contact details for the regional contact centre associations in South Africa can be found on [www.contactindustryhub.co.za](http://www.contactindustryhub.co.za)

### **SPECIAL ADVICE FOR BRAND NEW START-UP CALL CENTRES**

If you are looking for god advice on how to start up a brand new call centre visit [www.contactindustryhub.co.za](http://www.contactindustryhub.co.za) and find the 'Suppliers' tab. Here you will find a number of specialist suppliers to the call centre industry – everything from premises to technologies and consulting services. Also be aware of the fact that if you are going to need professional consulting services these costs will be considerable and could reach several hundred thousand Rand even for a small call centre.

### **CLOSING WORDS**

Setting up, managing and making a profit from a brand new start-up call centre is extremely difficult even if one has the experience, the expertise, the business connections and the capital to do so. None of these guarantee success. It is a highly competitive industry dominated by multi million Rand, large-scale operations most of which have strong international affiliations. Be extremely careful.

Visit [www.contactindustryhub.co.za](http://www.contactindustryhub.co.za) for more information.

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