



# Making WFM Work: Best Practices and ROI Model

2011

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## Executive Summary

The contact center workforce management (WFM) market has finally come to life. Contact center leaders have had a “love/hate” relationship with WFM since it was first introduced in the 1970s. Managers knew they needed WFM to minimize their agent-related costs, but were frustrated by the complexity of these mission-critical applications. It took 30 years, but contact centers of all sizes now have a growing number of effective WFM solutions from which to choose.

A new generation of compelling and easier-to-use WFM solutions has recently entered the market. This new class of contact center WFM solutions is designed for managers to readily apply and realize immediate benefits. They come with self-service modules that empower agents, changing the dynamics of contact centers and freeing supervisors to dedicate their time to helping customers instead of managing agent schedules. These new WFM solutions are making major contributions to contact centers, yielding quantifiable agent productivity improvements of up to 30% for first-time WFM users and 5% to 8% for companies replacing an outdated WFM solution.

## Introduction

Workforce management solutions forecast contact center transaction (call, email and SMS) volumes and identify the best work schedules to ensure that the right number of agents can be hired to address incoming and/or outgoing traffic at a pre-determined service level. When used properly, WFM solutions are the most important productivity tools in contact centers. They are essential for any contact center with more than 100 agents, and in smaller centers with complex multi-site/multi-channel/multi-skill environments.

The adoption rate of WFM is still surprisingly low, once you look beyond contact centers with more than 500 agents. Many contact centers of all sizes are still not using packaged WFM solutions for three primary reasons:

1. WFM solutions have traditionally been very costly
2. WFM solutions have traditionally been difficult and almost painful to use
3. WFM solutions are not accurate enough to make them worth the cost and effort

Over the last three years, there has been tremendous innovation in contact center WFM solutions. New vendors and offerings have come on the scene, giving end users many good choices and new capabilities. The new-generation WFM solutions are also much easier to use. If you have not explored WFM solutions in the past three years, this is a good time to consider an investment in a solution that can reduce agent-related expenses, improve agent satisfaction and enhance the customer experience.

## Making WFM Work: Best Practices and ROI Model

### **Identifying WFM Benefits for Your Contact Center**

When a WFM solution is used and applied consistently, it is a mission-critical application. The benefits go far beyond efficiency and effectiveness, as a next-generation WFM solution can and should be used to alter how contact centers manage their relationships with agents. Relations can become strained if agents feel they are being mistreated when schedules vary due to fluctuations in transaction volumes, even if they agreed to accept schedule changes as a condition of being hired.

Figure 1 provides a list of benefits that contact centers can realize from a successful WFM implementation. DMG always recommends building a business case using only quantifiable benefits (also call “hard” benefits), but including both hard and soft enhancements when explaining the solution to agents. Often the qualitative or “soft” benefits have a more far-reaching impact; however, it is extremely difficult to place a price tag on “soft” benefits, and therefore chief financial officers and controllers are generally not willing to accept them in a return on investment (ROI) analysis.

# Making WFM Work: Best Practices and ROI Model

**Figure 1: Proven WFM Benefits**

## Productivity

- Reduces non-productive agent time
- Increases agent adherence
- Improves agent occupancy/utilization rates
- Reduces interaction handling time by using skill-based scheduling
- Reduces shrinkage and absenteeism
- Reduces time supervisors spend scheduling/reporting

## Efficiency

- Improves service levels
- Optimizes staffing in global, virtual and at-home agent environments
- Provides real-time visibility to react to shifting volume
- Enables pre-planning for loss of coverage and other scheduling anomalies
- Improves visibility into key performance indicators
- Enhances ability to cost-effectively manage multiple sites
- Improves planning and budgeting for recruitment and hiring
- Provides ability to run "what if" planning scenarios to find optimal schedules
- Improves performance of multi-channel, multi-skill, and blended environments

## Cost Reduction

- Reduces agent over-staffing/under-utilization
- Improves first call resolution
- Reduces agent attrition
- Provides flexible scheduling alternatives that allow users to meet volume demands
- Optimizes schedules around paid time off, scheduled off-phone activities, etc.
- Reduces administration time for supervisory overhead by automating payroll/administration
- Allows more accurate planning and budgeting, reducing need to overstaff
- Improves intra-day management of queue volumes, staffing levels and exception management
- Reduces overtime and telecom costs
- Reduces facilities and real estate costs as a result of optimized seat assignments and ability to effectively schedule/manage at-home agents

# Making WFM Work: Best Practices and ROI Model

## Customer Satisfaction

- Reduces abandonment, call-backs, holds and transfers
- Reduces wait times

## Staff Satisfaction

- Minimizes complaints regarding unfair handling and favoritism in agent scheduling
- Empowers agents to manage their own schedules
- Accommodates agent schedule preferences, improving chances that agents are available at assigned times
- Reduces administrative time (and headaches) involved in manual scheduling
- Improves information available for performance management
- Improves agent motivation by establishing a ranking system that gives schedule preferences to the best performers
- Provides a more effective method for managing non-phone and training activities

## Revenue Generation

- Increases sales revenue and conversion rates
- Increases ability to meet revenue/collections goals due to higher connect and right-party connect rates, and by staffing with the right agents

## Regulatory Compliance / Risk Mitigation

- Improves ability to comply with regional, state, country, union or labor laws and restrictions

After identifying the benefits and costs for a WFM solution, prospects should build a business case to justify their investment so that they can obtain project approval and funding. (The vendor will need to provide the costs.) The business case should explain the reason the WFM solution is needed; include an ROI model that quantifies the benefits and shows the payback period, return on investment and net present value for the WFM solution; and discuss the project time frames. Contact centers of all sizes should be able to realize significant and quantifiable benefits that will justify the investment.

Figures 2 and 3 are example ROI models for first-time and replacement WFM solutions, respectively. Both of these models address a contact center where there are 200 full-time equivalents (FTEs), but 250 agents, in a single site that handles only phone calls. The difference in the two models is the amount of projected savings. The first time a contact center moves from doing WFM manually, via spreadsheets or the not-at-all-uncommon “gut” estimate approach, to a packaged WFM solution, the FTE savings are

## Making WFM Work: Best Practices and ROI Model

generally 20% to 30%. Part of the challenge is sustaining these benefits. This is where a replacement WFM solution can make a substantial contribution to a contact center, making it easier for them to sustain previously realized benefits and delivering enhanced features that incrementally build on the prior savings. Companies that implement a replacement WFM solution should expect a 5% to 8% decrease in operating costs, depending upon the quality of the existing WFM implementation and how well the next-generation WFM solution is used and applied.

<b>Figure 2: First-Time WFM Implementation</b>	
<b><u>Solution Costs</u></b>	<b><u>Cost</u></b>
WFM software license fees	\$130,000
Hardware expense	7,000
Installation/training/professional services	30,000
<b>One-time installation costs</b>	<b>\$167,000</b>
<b>Annual maintenance and support (18% of software list price)</b>	<b>\$23,400</b>
<b>Annualized Savings/Benefits</b>	
<b><u>Annualized Savings/Benefits</u></b>	<b><u>Savings</u></b>
Reduced agent overstaffing	\$1,000,000
Improved agent adherence	62,500
Improved supervisor efficiency (from agent self-service)	30,000
Reduced agent overtime expense	20,000
Reduced agent turnover/churn	20,000
<b>Total</b>	<b>\$1,132,500</b>
<b>ROI Measures</b>	
Payback Period (months)	1.81
Internal Rate of Return	663%
Net Present Value (3 years @12%)	\$2,496,871

In the ROI model in Figure 2, the one-time costs for the WFM solution are \$167,000. The ongoing annual maintenance cost is \$23,400. However, since the benefits and savings from the solution are \$1,132,500 annually, the payback period for this first-time user is only 1.81 months. Even if there is a slight delay in realizing the benefits as managers get acclimated to the system, it will pay for itself within 2 to 3 months. This results in an internal rate of return of 663% and a net present value of \$2,496,871, assuming a 12% cost of funds over a 3-year period. Even with most stringent financial approval thresholds, this WFM investment should be easily approved.

## Making WFM Work: Best Practices and ROI Model

**Figure 3: Replacement WFM Implementation**

<b><u>Solution Costs</u></b>	<b>Cost</b>
WFM software license fees	\$130,000
Hardware expense	7,000
Installation/training/professional services	30,000
<b>One-time installation costs</b>	<b>\$167,000</b>
<b>Annual maintenance and support (18% of software list price)</b>	<b>\$23,400</b>
<b>Annualized Savings/Benefits</b>	
Reduced agent overstaffing	\$250,000
Improved agent adherence	25,000
Improved supervisor efficiency (from agent self-service)	9,000
Reduced agent overtime expense	5,000
Reduced agent turnover/churn	6,000
<b>Total</b>	<b>\$295,000</b>
<b>ROI Measures</b>	
Payback Period (months)	7.38
Internal Rate of Return	153%
Net Present Value (3 years @12%)	\$485,337

In the ROI model in Figure 3, the one-time costs for the replacement WFM solution and annual maintenance are the same as in Figure 2: \$167,000 and \$23,400, respectively. However, the benefits are expected to be less because this contact center should have already realized significant improvements when they installed their first WFM solution. As a result, the savings realized from a replacement WFM solution are projected to be approximately \$295,000 annually. The payback period is expected to be 7.38 months. The replacement WFM solution is expected to yield a 153% internal rate of return and have a net present value of \$485,337, assuming a 12% cost of funds over a 3-year period. As most enterprises prioritize projects that pay for themselves within 9 to 12 months, this investment should be approved.

### Tips for Increasing Benefits from WFM Solutions

Figures 2 and 3 above show five typical benefits that contact centers realize when they implement a WFM solution. The categories and projected savings for first-time WFM implementations and replacement solutions are:

## Making WFM Work: Best Practices and ROI Model

WFM Savings Category	First-Time Implementation	Replacement Solution
Reduced agent overstaffing	20%	5%
Improved agent adherence	1.25%	.5%
Improved supervisory efficiency (from agent self-service)	5%	1.5%
Reduced agent overtime expense	20%	5%
Reduced agent turnover/churn	20%	3%

To realize these savings, DMG offers the following tips:

1. *Reducing agent overstaffing* – change employees from full-timers to part-timers. This is hard to do with long-time employees, which is why organizations that need to transition a portion of their staff to part-time schedules often do so as they hire new staff members. DMG also recommends using incentives to motivate long-term staff members to alter their schedules. This may include offering at-home opportunities or more overtime to encourage employees to be more flexible about their hours.
  
2. *Improving agent adherence* – remind agents that a schedule change is coming up; this has proven to be a highly effective way of improving agent schedule adherence. DMG recommends using the WFM application to send alerts or to post schedules to agents' Microsoft Outlook calendars. Additionally, it's essential to share adherence information with agents on a timely basis. This means that supervisors should discuss out-of-adherence situations with agents as they occur, instead of waiting to "punish" them after a series of such events. If an agent demonstrates a pattern of lateness in the morning, for example, it could very well be due to a transportation issue. A supervisor should discuss this with the agent as soon as the pattern is recognized, and, if need be, change the agent's schedule to accommodate their transportation needs.
  
3. *Improving supervisory efficiency* – train and encourage agents to use the self-service feature of the WFM solution to request preferred schedules, swap schedules or hours, or request time off and vacations. We further recommend that, whenever possible, contact centers use the automated approval features in WFM solutions to approve agent requests. Giving agents instant gratification will encourage them to use the self-service application. It will also free supervisors from having to invest their time in managing schedule preferences and vacation requests. In doing so, it will help improve agent satisfaction and alleviate claims of supervisor favoritism because approvals will be granted by the application using standardized criteria.

## Making WFM Work: Best Practices and ROI Model

4. *Reducing agent overtime expenses* – run forecasts more frequently in order to reduce the amount of overtime that your department incurs. It also helps to use the intra-day WFM module on a consistent basis to do a better job of anticipating when additional agent resources are going to be needed. The intra-day capability will show the hours when you're going to have the biggest needs, and can be used to shift resources from less important tasks, such as a team meeting, to address unexpected surges in call volume. The real trick is to combine the two activities – running forecasts weekly and using the intra-day functionality at a set time every day – to better anticipate last-minute needs. Another tip is to have a group of flexible agents who are willing to swap future hours for additional hours on a current day. Use the self-service feature to accommodate these requirements.
5. *Reducing agent turnover/churn* – make reducing agent turnover a priority, as it costs approximately \$5,000 to replace and train a new agent. One of the primary reasons agents leave contact centers is because they do not receive consistent feedback and coaching. Therefore, DMG recommends that managers use their WFM solution to schedule periodic coaching sessions with agents; these sessions should be mandatory. Agents can also benefit from WFM solutions that enable them to monitor their own performance metrics. What agents want is to be treated fairly, and WFM applications can make major contributions toward achieving this goal. Use the automated self-service approval process to grant schedule swaps and vacation requests. The WFM solution can also be used to award top performers by giving them priority for prime schedules or shifts. However, when you utilize the WFM solution in this way, it's essential to inform everyone – agents and supervisors – that it's happening, so that the staff will appreciate the inherent fairness of the newly applied rules.

These are just five of the many ways for contact centers to realize significant and quantifiable benefits from a WFM solution. By promoting fairness through the application of an automated schedule approval process that is based on work rules, WFM solutions go well beyond simply reducing agent overstaffing. They also empower agents to control their own schedules, and give them the freedom to request schedule changes or time off without having to plead with supervisors. These “soft” benefits may be hard to quantify but go a long way in improving agent and supervisor satisfaction. The result is happier agents who are more committed to your organization and customers.

### **WFM Application Selection Criteria**

The returns from WFM have been inconsistent over the years, largely because many of the solutions were so hard to utilize that end users either gave up and did nothing (which is worse than using spreadsheets) or ran it just once or twice a year. Both of these approaches are sub-optimal and can actually defeat the purpose of using WFM. Below is a list of WFM criteria that should be used to assist your department in deciding whether

## Making WFM Work: Best Practices and ROI Model

to consider acquiring a new or replacement WFM solution. If you answer “yes” to 6 or more of these questions, a new WFM solution will likely deliver an attractive payback and improve your customer and agent experience.

Yes / No

<input type="checkbox"/> <input type="checkbox"/>	Are you currently doing forecasting and scheduling manually or with the help of spreadsheets?
<input type="checkbox"/> <input type="checkbox"/>	Is your current solution so difficult to use that it is only run once or twice a year?
<input type="checkbox"/> <input type="checkbox"/>	Does your current WFM solution require an expensive analyst to operate the application?
<input type="checkbox"/> <input type="checkbox"/>	Is the user paradigm and interface of your WFM application very dated and time-consuming to use?
<input type="checkbox"/> <input type="checkbox"/>	Does your current WFM solution need to be loaded and maintained in a thick client?
<input type="checkbox"/> <input type="checkbox"/>	Has your vendor sunset the current version of your WFM solution and will no longer support it?
<input type="checkbox"/> <input type="checkbox"/>	Is intra-day management a challenging and complex task that requires users to access many screens?
<input type="checkbox"/> <input type="checkbox"/>	Would a feature-rich agent self-service module with an automated approval process improve agent and supervisor satisfaction?
<input type="checkbox"/> <input type="checkbox"/>	Is it very challenging to schedule in conformance with work or union rules in your current environment?
<input type="checkbox"/> <input type="checkbox"/>	Is forecasting for social media transactions outside the scope of your current solution?
<input type="checkbox"/> <input type="checkbox"/>	Does your current solution allow you to meet your service level without overstaffing?

### Final Thoughts

For the past 30-plus years, WFM solutions were often regarded as the most disliked application in contact centers because they were so difficult to use. No one debated the value and contributions of a WFM application; the only issue was whether it was worth the time and effort required to realize the benefits from

## Making WFM Work: Best Practices and ROI Model

these systems. As a result, WFM solutions were used predominantly by large contact centers that were able to dedicate highly skilled (and often expensive) resources to use this application. The negative perception of WFM exacerbated the problem of slow adoption, as vendors were reluctant to spend on R&D for necessary improvements because they were concerned that they would see little return on their investment. As a result, only the most highly committed contact centers were willing to use these challenging, but highly beneficial applications.

Although it has taken far too long, the situation has recently changed, as new vendors have introduced much more usable WFM solutions to the market. Now, for the first time, contact centers of all sizes can find WFM solutions that managers can readily learn and apply, and that are priced right for their operating environment. Workforce management is not a simple concept, but with the right application, contact center managers will be able to realize productivity improvements of 5% to 30%, which can result in savings of thousands to millions of dollars annually, depending upon the size and complexity of the environment. These productivity gains will be accompanied by improvements in agent and customer satisfaction, as the new generation of WFM solutions also enhances how contact centers treat their most important assets, their agents and supervisors.

## Making WFM Work: Best Practices and ROI Model

### **About Calabrio**

Calabrio, Inc. develops and markets a comprehensive suite of customer interaction and contact center management software that's easy to implement, use and maintain. Calabrio One™, a unique Web 2.0-based software suite, gets call recording, quality management, workforce management, speech analytics and performance management working together for increased value. Access to features and workflows are personalized and optimized for each user – agents, supervisors, managers, knowledge workers, and executives. Calabrio distributes their software through channel partnerships and an OEM relationship with Cisco, and has installed software on more than 750,000 desktops. For more information, visit [www.calabrio.com](http://www.calabrio.com).

### **About DMG Consulting**

DMG Consulting is the leading provider of contact center and analytics research, market analysis and consulting services. DMG's mission is to help end users build world-class, differentiated contact centers and assist vendors in developing high-value solutions for the market. DMG devotes more than 10,000 hours annually to researching various segments of the contact center market, including vendors, solutions, technologies, best practices, and the benefits and ROI for end users. DMG is an independent firm that provides information and consulting services to contact center management, the financial and investment community, and vendors in the market. More information about DMG Consulting can be found at [www.dmgconsult.com](http://www.dmgconsult.com).