The Golden Rules of SLAs

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Introduction

This white paper covers one of the most essential components of Call Center Management – Service Level Agreements. It's one of the oldest metrics in the call center world, which means there's going to be a lot to cover!

Fear not, by the time you reach the end of this 'crash course' in SLAs, you will not just know what a Service Level Agreement is, but also how to set and achieve a winning service level in your own organization.

Buckle up!

LESSON ONE

What is a Service Level Agreement (SLA)?

What is a Service Level Agreement?

Service Level Agreements come in all shapes and sizes, but at the most basic level, an SLA is a written commitment between a service provider and a customer or client. It's a tangible commitment that ensures specific services will be delivered.

The agreement can range from the general to the specific and includes particular aspects of service standards — quality, availability, responsibilities — along with other components that both vendor` and buyer agree upon. Like any official contract, it is a fundamental reference point for both parties in case service levels are not met.

SLAs can take the form of service-based or customer-based models. Regardless of the finer details, at the core of the agreement is the golden principle:

> **Give the customers what you promised them, or you'll pay for it.**

LESSON TWO

What is a Service Level Agreement in a Contact Center?

A service level agreement in the contact center world is a promise a contact center makes to provide a certain level of service to its clients. It's a very significant metric for contact centers because it's directly related to many other key performance indictors, such as:

- **Average Speed of Answer or ASA** which measures the number of calls not answered within a certain time frame. The global benchmark for this is 28 seconds.
- **Abandon Rate** which reflects calls abandoned while a customer was waiting on hold to connect with a human agent. The global benchmark for this is between 5 and 8 percent.

For call centers that are rightfully obsessed with telephony benchmarks, 'service level' is most commonly framed as:

> "The percentage of calls received by the contact center that are answered by a human agent within a certain time frame."

What is Service Level?

An

"80/20"

service level means...

80%

percent of calls should be answered

20

within 20 seconds...

Why do contact centers use SLAs?

Contact centers use service level agreements for the same reason that contracts are used for many other business transactions; to make sure everyone is working towards the same outcomes and are — in a very literal manner — on the same page about what success looks like. It enables the smooth running of every other interaction between the two companies.

This goes further than between the client and call center. Your support agents and management should be involved in creating the service level agreement, as they'll be the ones executing it. This is a great opportunity to foster conversation between the management and workforce to come up with some common goals.

The final benefit of a service level agreement is that it makes planning easier. Once you have a target service level, you have a concrete goal that you can start building a plan around.

Shortly after the birth of the call center, the global 'benchmark' service level became '80/20', or '80% of call answered within 20 seconds.'

However, arbitrarily following a 35-year-old benchmark isn't the best way to set a winning service level for your contact center. We'll cover how to do that very soon.

LESSON THREE

The Problem with an 80/20 Service Level

The longevity of service level is astonishing when one considers the enormous changes that have occurred in customer service technology over the last few decades. Even more astonishing is that so many call centers around the world would name the same target value for that metric: 80/20.

Before we tell you exactly how to set a winning service level, you're probably wondering what's wrong with aiming for the 80/20 'benchmark', especially as it's been around for so long.

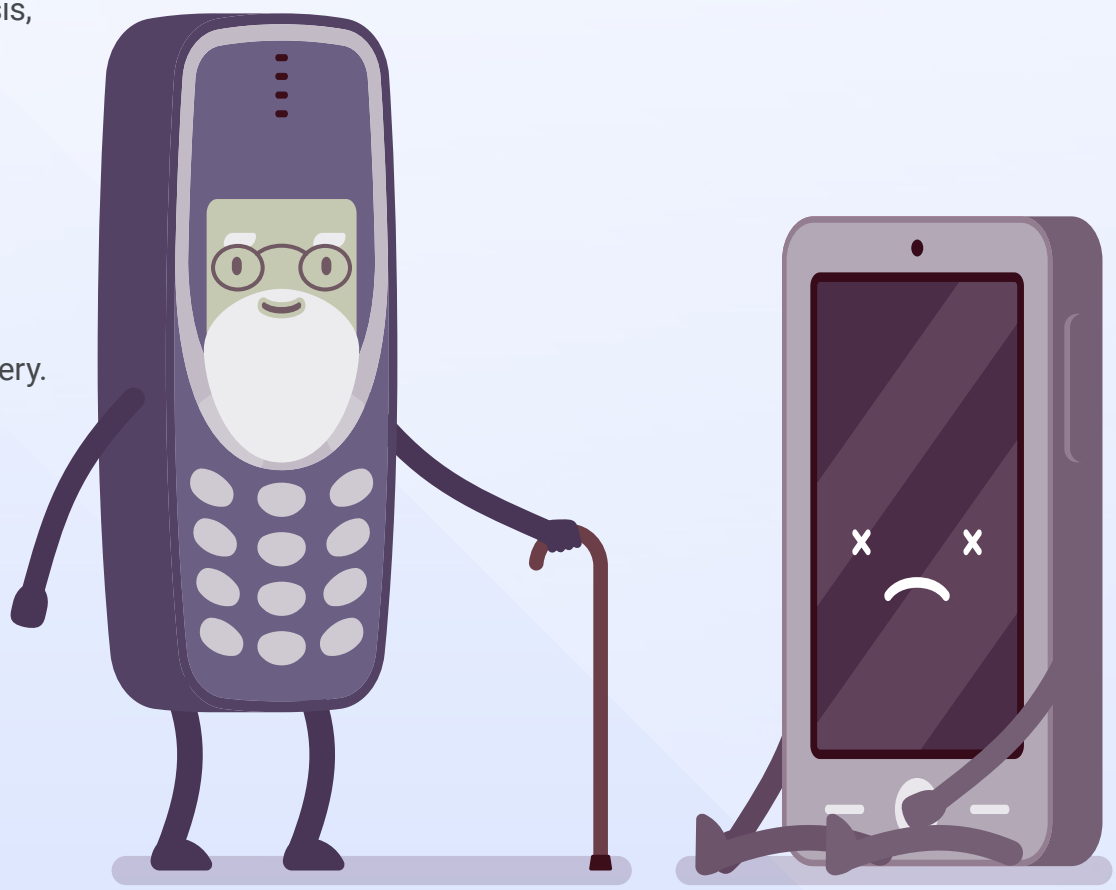
Here's what you need to know about the 80/20 'benchmark'.

Where did the 80/20 Service Level Rule Come From?

One would hope that this standard is based on careful analysis, but in reality, it's not an 80/20 rule or principle at all. It was arbitrarily chosen in the early days of call center technology.

Some say that the '80/20 principle' was 'hard-wired' into the original call center platforms made by Rockwell in the 1970s. Other say that it came from an AT&T study conducted some 35+ years ago, that had found that callers tended to hang up after 20 seconds in the queue; the true origins remain a mystery.

It's likely that this 'principle' gained false validity because it sounds like 'Pareto's 80:20 Principle.' But being said, service level is still an incredibly useful tool for measuring overall performance and working out the resources you need to get the results you want.



The Problem With an 80/20 Service Level in Contact Centers

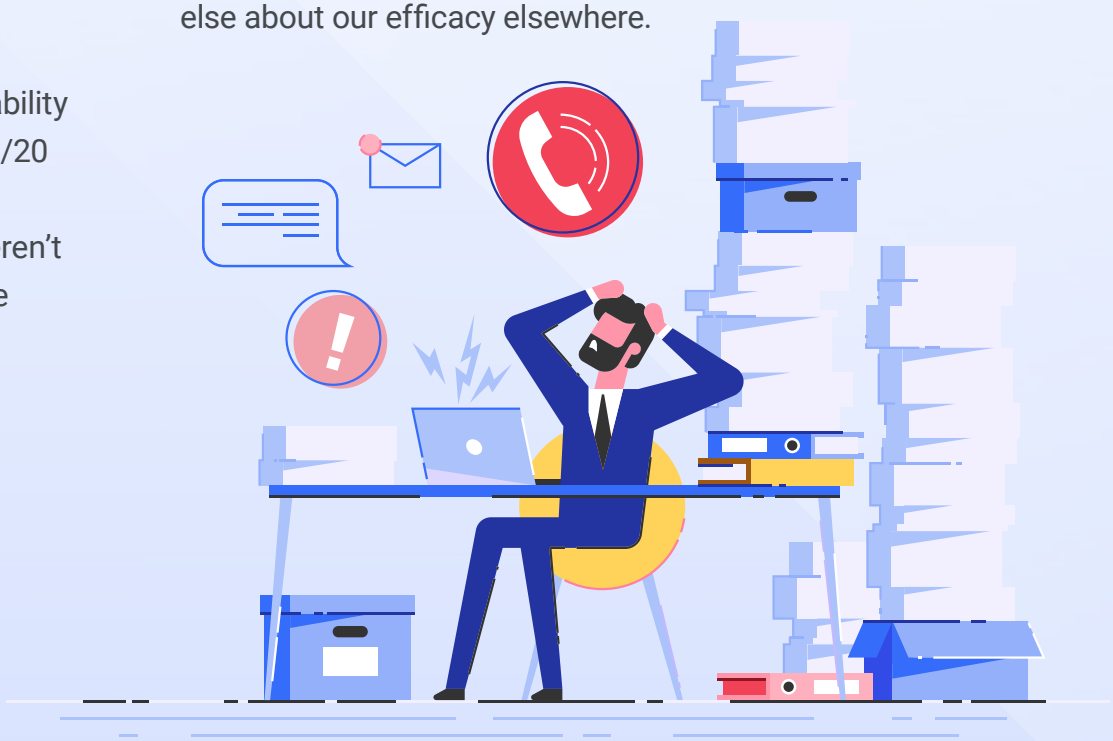
The case against worshiping service level has been made by many contact center analysts and industry veterans. Most of the complaints boil down to the idea that, if too much attention is focused on optimizing for this metric, other facets of the call center can suffer.

Service Level Doesn't Correlate With Customer Satisfaction

The very nature of the service level metric means that variability can get swept "under the rug." The first problem with an 80/20 service level is that it's only telling you 80% of the story. It doesn't tell you what happens to the 20% of callers who weren't answered in that first 20 seconds; really you know very little about what went on that day.

What percentage of those calls resulted in a second call because the agent wanted them off the phone quickly? Or how many opportunities to up-sell a customer were missed because the customer support agent didn't have the time to build a relationship with the customer?

Service level may be a useful metric for estimating how many resources we need in the contact center, but it tells us very little else about our efficacy elsewhere.



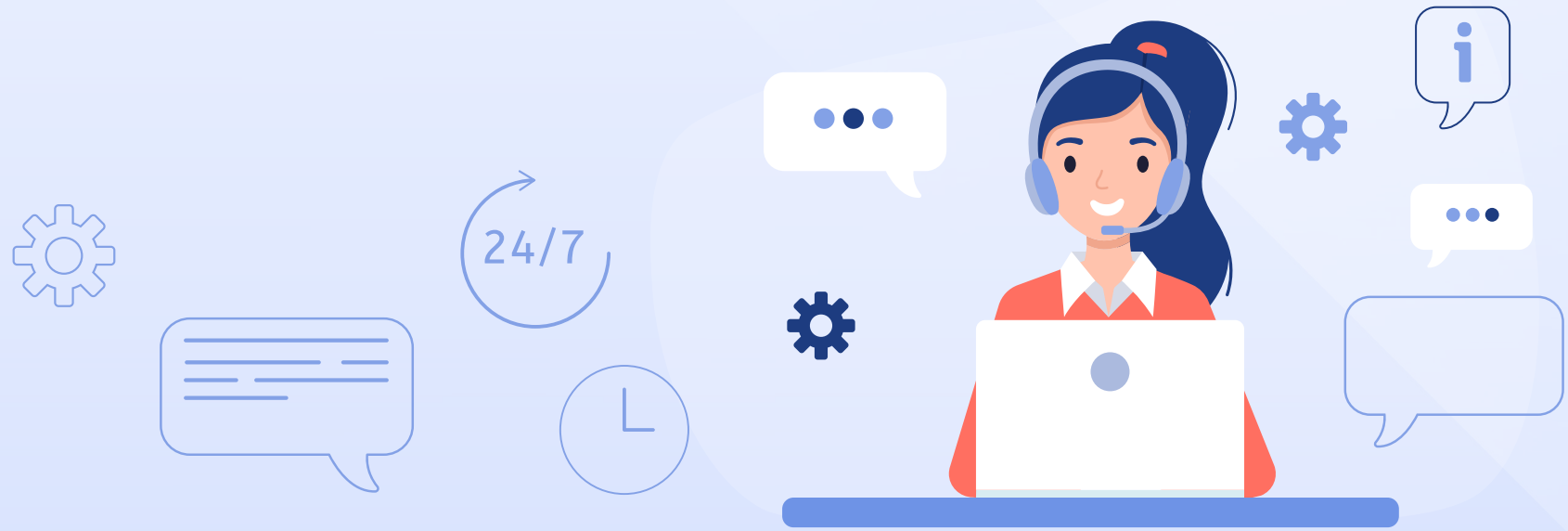
Committing to 80/20 Could Mean Wasted Resources

Actual research has shown that once callers are placed in a queue they don't abandon at a constant rate. So, as long as your service level target is above the abandonment threshold, your callers will probably wait. Resources in a contact center don't come easy, so it's well worth taking the time to figure out how long most of your customers are willing to wait before their call is answered.

Consider a contact center that gets 1000 calls hour with an Average Handling Time of 4 minutes. In order to meet a service level of 80/20, the call center needs 74 agents. But if the service level goal can be reduced to 80% in 60 seconds, the operation would require only 71 agents. That's a big difference in the budget.

If we take the time to understand why our customers are calling, we may find that they may stand to wait a little longer to speak to someone. And if we know what customers are willing to tolerate, we can set a service level that allow us to deliver exceptional customer service. Even if that means they have to wait on the phone for, 40 seconds, or even an entire minute.

So, how do you find the optimal service level for your brand?



LESSON FOUR

How to Set a Winning Service Level

There are several tricks to setting achievable service levels and they all require a deep understanding of your clients, your contact center, your employees, and your processes. To set these with any accuracy, your nose must be glued to the data.

There are five keys to making sure your service level doesn't end up costing your a fortune in fines.

THE FIVE KEYS TO A WINNING SERVICE LEVEL

Manage Expectations

Consider your Clients

Consider your Resources

Consider your Priorities

Consult the Industry Standard SLAs

Service Level Agreement Best Practices

To start, here are some more best practices for your call center's service level agreement.

Be Reasonable

Don't commit to a service level if you don't have the infrastructure, technology, staff volume or expertise to meet it; It can be tempting to overstretch or be optimistic about future growth, but the best thing a call center manager can do in an SLA is to leave some room for error, and overdeliver instead.

Protect Against Financial Loss

If you're not reasonable and you don't meet your service level, you may need to reimburse clients; or worse, lose that client due to a breach of the agreement. Service level agreements are designed to protect both you and your client's interests; don't forget to protect your business when agreeing to client demands.

Do Your Research

To be able to set a realistic service level you need to truly understand the bandwidth of your contact center. It's important to understand how your team responds during spikes in call volume and other crises moments, as well across an average. This takes patience, trial-and-error, and perhaps the aid of a consultant.

If you keep those three best practices in mind, then you'll be well on your way to constructing an achievable service level agreement in any organization.

REMEMBER

> Service level agreements are designed to protect both you and your client's interests; don't forget to protect your business when agreeing to client demands.

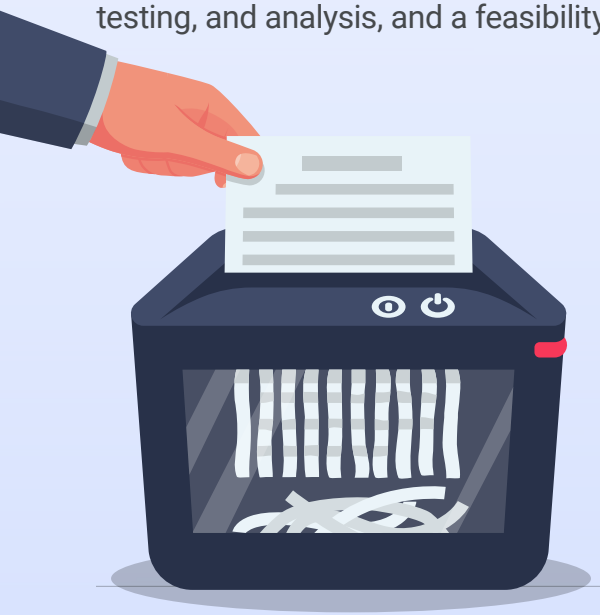
The Five Keys to a Winning Service Level

1. Manage Expectations

The most important thing to remember when preparing a service level agreement is: **Don't promise a service level to a customer that you can't keep.**

Avoid arbitrarily implementing a service level standard if it doesn't reflect what you are able to deliver — such as the 80/20 industry standard.

Your service level guarantee should be based on what your contact center can reasonably achieve given its resources and expected call volume. This means ongoing research, testing, and analysis, and a feasibility study, too.



2. Consider your Clients

As much as your own business targets are important, you should balance the desire to deliver customer satisfaction with the cost you're willing to bear to achieve it. Ask yourself these three questions:

How do I want to prioritize my customers' wait time?

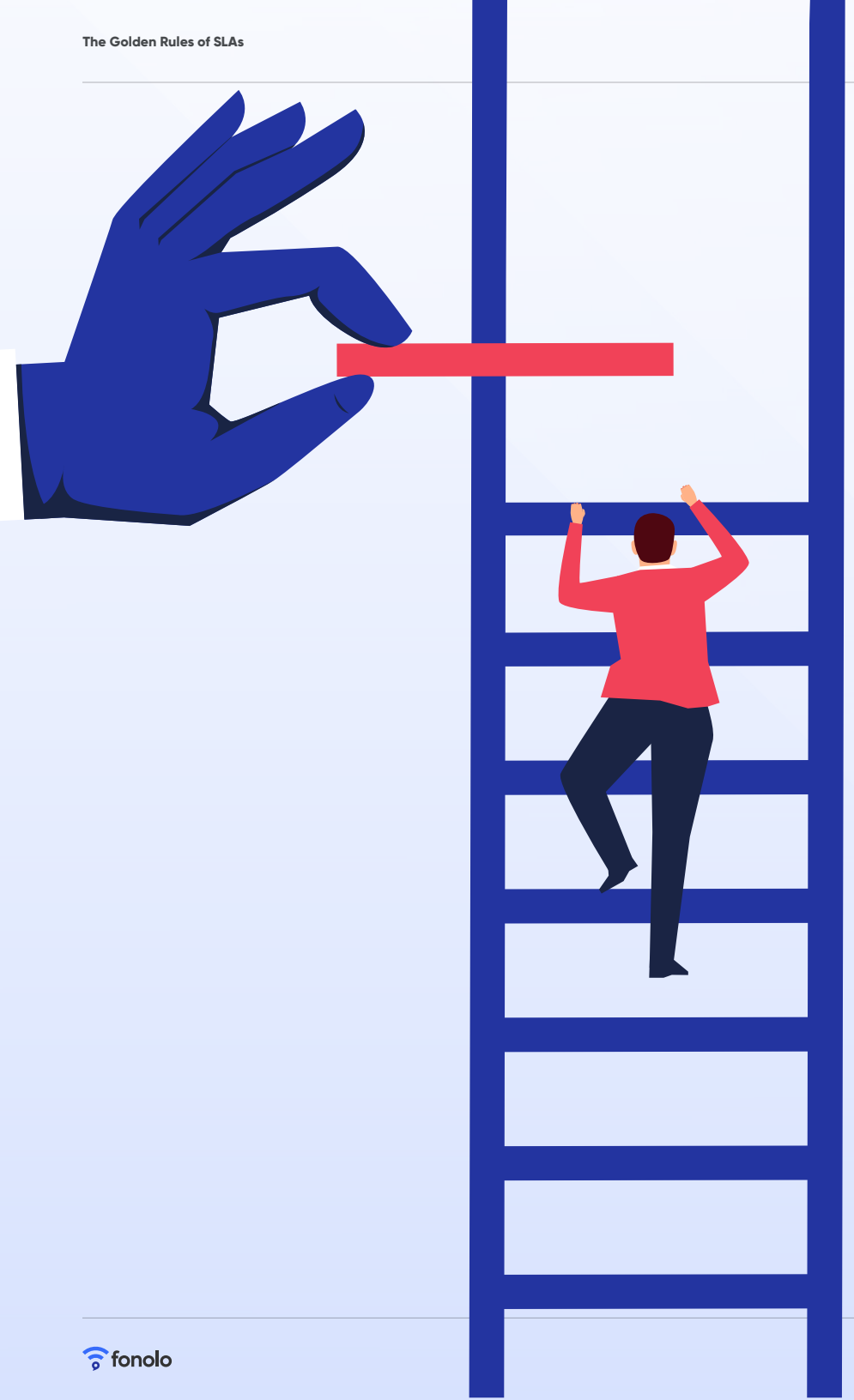
This often can reflect Customer Lifetime Value or Propensity To Buy, where customers of greater actual, or potential, value are prioritized for a prompt answer.

After how many seconds in the queue does their Abandonment Rate start to materially increase?

For the best results, make sure that you segment your customers by some measure of importance before doing finding this number.

What is the impact of increased Abandonment Rate on our customers' satisfaction?

Compare higher abandonment groups to a control group to determine how this impacts customer lifetime value, loyalty, and satisfaction etc.



3. Consider your Resources

While you may be quick to set a lofty service level, keep in mind the people who might be working overtime to meet it: Your agents. Ask yourself:

- Do I have enough agents in place to meet this service level?
- What is a reasonable and humane workload for my contact center employees?
- How will this service level impact work culture, productivity, and well-being?

Always remember the people behind the promise.

4. Consider your Priorities

Every business using a contact center has a different set of goals; it's important to consider yours when drawing up your service level agreement.

Maybe you value customer satisfaction above all else. Maybe you're defined by reducing abandon rates. Whatever the case may be, make your overall business goal the main event in your SLA.

5. Consult the Industry Standard SLAs

Although we've just spent a lot of time telling you not to determine your service level from benchmarks, that doesn't mean they don't have value. It is still always good practice to consult the industry standards, and ask other centers in a similar position to yours about what service level they commit to and why.

You could consult the latest standards laid out by an organization like COPC to measure yourself against their benchmarks and gain insight into how others measure themselves. You could also reference a similar official body in your particular industry, for even more insight.

Just remember. Industry standards are important but it's just as important to take into account how your business operates. If 80/20 makes sense for your contact center, by all means use it. But do check that it makes sense first! Otherwise your attempts to meet them may be fruitless — or worse — pointless.

LESSON FOUR

How to Meet Your Service Level Targets

The best way to ensure you adhere to your service level agreement is by ensuring that you are able to do so in advance; through the careful researching, measuring, and planning discussed above.

If there was a secret recipe to always meet your targets — whether your personal goals or your call center's SLA — life wouldn't be any fun. The truth is that each situation and each contact center is different, and so is every SLA; what's needed to satisfy them will accordingly be unique too.

There are, however, some general rules of thumb that you can follow to give you the best chance.

MEET YOUR SLA WITH THESE THREE RULES

1. Measure frequently and publicly

2. Predict resource-load with an Erlang calculator

3. Invest in call-back technology

Measure Frequently and Publicly

The first step to this is choosing the right metrics to track to inform your decisions about the service level. This includes the top-level figures mentioned in the SLA, and also other contributing metrics, which should be used as indicators of whether you're on track to meet your SLA targets.

Review each stakeholders' metrics routinely to monitor your progress towards the agreed targets, and make them publically available. This transparency creates accountability for both sides.

If a team isn't meeting their goals, it's important that this is communicated to the other parties involved in the agreement, so that their issues can either be addressed or their targets reassessed.

Predict Resource-Load with an Erlang Calculator

One of the major differentiators between successful and unsuccessful contact centers is their use of technology. And that means people processes as well as hardware and software.

An essential 'technology' for any contact center manager is the Erlang Calculator. This is a powerful algorithm that is specifically designed to help you calculate how many agents you'll need to meet a give service level.

Armed with that information and your demand metrics you can put in place flexible-scheduling plans and cover-staff to ensure that you service levels don't dip when there are large fluctuations in demand.

Invest in Call-Back Technology

The best call center managers know that there's a limit to what a human team can achieve. Luckily, we live in a time where automation is commonplace; and it's ideal for maintaining your service level numbers.

While there are several types of automation that can help you meet your service levels, one particularly effective but simple solution is readily-available: call-backs (sometimes referred to as 'virtual hold'). Call-backs are a blessing for any contact center manager.

Call-backs are a rapid, relatively-cheap solution to help you exceed your service level targets

Invest in Call-Back Technology

1. They flatten-out spikes in call-volume.

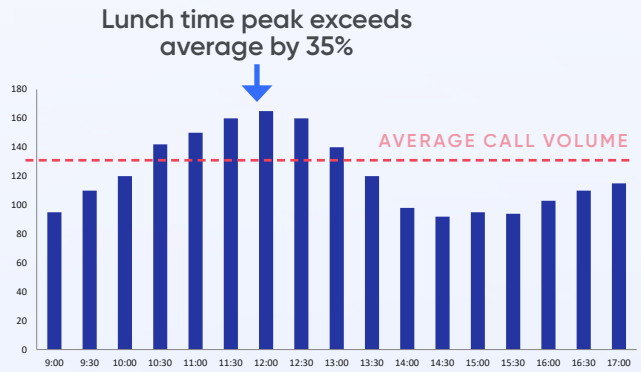
The easiest way to explain how call-backs help maintain service level is an example.

We'll turn to an example company, creatively named "ExampleCo." Here are some of its basic contact center features:

- 28 agents
- 500,000 calls per year
- AHT is 5 minutes
- Target service level is 80/20

If call traffic were perfectly smooth, there would be 250 calls coming in per hour and agents would be able to provide timely service. But, as you can see in the graphs below, they struggle to manage a daily influx of calls around lunchtime.

CALLS



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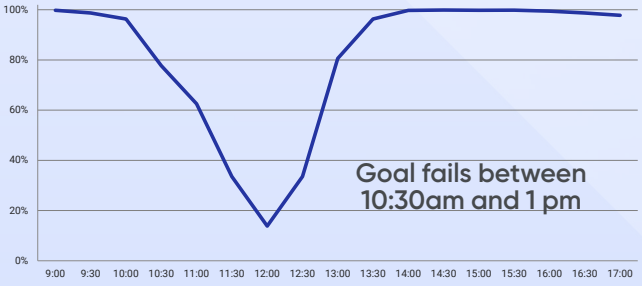
SERVICE LEVEL

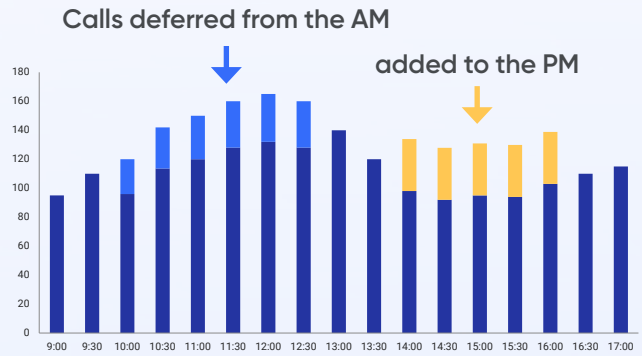


Invest in Call-Back Technology

To resolve this service level drop, callers between 10:00 AM and 1:00 PM will hear an offer for a callback, with suggested time slots between 2:00 PM and 4:30 PM. We'll assume a low take-up rate of 20% and distribute those deferred calls evenly into the afternoon slots.

As you can see in the graphs below, with the addition of call-backs, service level never drops below 80%, despite the increase in calls. Call-backs help you defer excess demand to a time when you have spare resources.

CALLS



ASA

SERVICE LEVEL

Invest in Call-Back Technology

It is possible to handle increased call volume with additional agents but this will take some trial and error. In this example, four extra agents will be required to maintain service levels with the same increased demand. However, for efficiency, you must expect a brief dip in service levels during peak volume.

Assuming an average call center agent salary is $50k and that day is representative of the rest of the year, meaning 45,000 call-backs per year. At $1 per call-back, the cost differential is $45,000 — or a 77% savings!

Invest in call-back technology

2. By opting into for a call-back, that customer's call is 'answered'.

Besides the "hard" ROI of improved efficiency in the call center, there are a couple more benefits to consider.

In terms of metrics, you can also say that when a customer opts in to receive a call-back, their call has been 'answered', from a metrics-standpoint at least; it is seen as an 'out of queue' instance.

And in terms of customer experience, you should never discount the value of the increased customer satisfaction that results when you remove the aggravation of hold time. People do not like being made to wait — especially by a company they've paid. If you need a reminder of how much callers dislike waiting on hold, just take a moment to scan the tweets at onholdwith.com.

Call-backs are an insurance policy for your contact center — one that pays out all the time: You add another convenience for your customers that they'll appreciate, even during lulls. And when call volume spikes, you can rest easy knowing that you can maintain your service levels.

LESSON FIVE

Your Golden Rules of SLAs

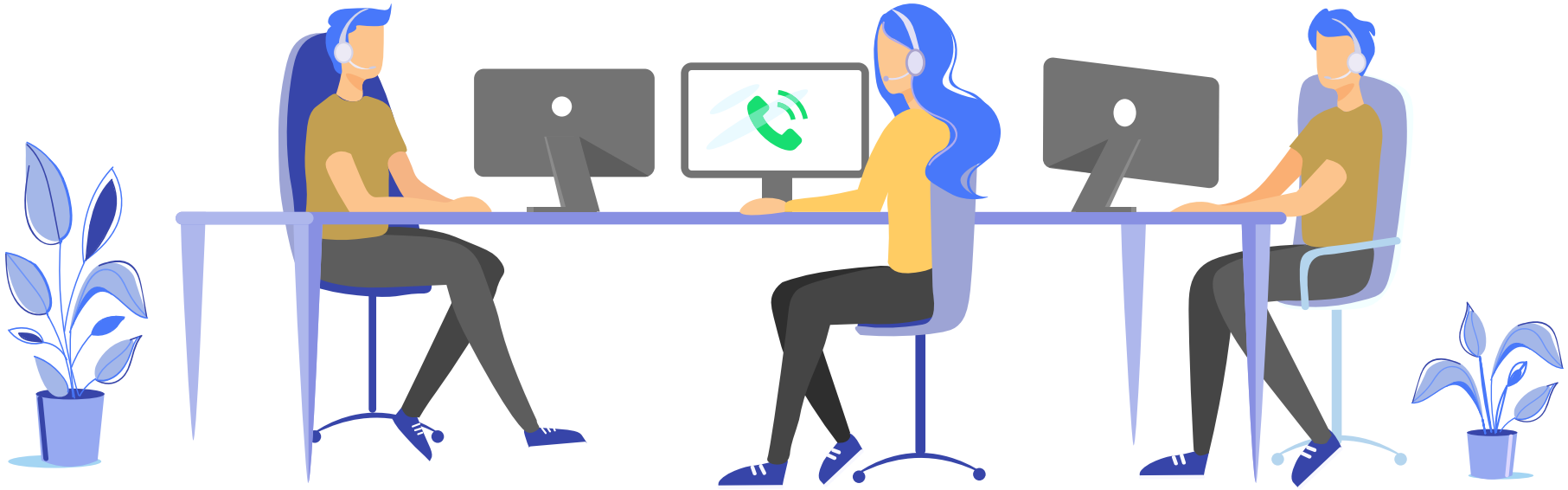
To conclude, we thought we'd bring together everything you've learnt together into what we promised at the start. Here are your 'Golden Rules of SLAs':

1. **Define service levels that are reasonable, attainable, and that align with you and your customers' priorities.**

2. **Keep resources and bandwidth at front of mind when setting service levels (remember the people behind the plan).**

3. **Invest in technology to help you meet your goals (like call-backs).**

To learn more about how you can consistently meet and beat your service levels using call-backs, book a demo with one of our call-back experts.



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Reduce call abandon rate and boost customer satisfaction almost instantly with Fonolo call-backs. Connect our solution to your existing platform in a matter of days and empower your customers with the option to request a call-back on any channel.

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