


# The True Cost of Attrition

By Rudy Vidal, inContact and  
Matt McConnell, Knowlagent



This lack of progress in the battle against attrition has real, quantifiable costs. While most organizations may track the hard costs of attrition, with line items such as recruiting and training costs, the opportunity costs such as customer churn are harder to quantify, but more critical.

Agent attrition costs more than most call center executives realize. Every 10 percent of attrition has been shown to lead to one percent of customer churn. Research was conducted to uncover the “hidden” costs that help make up the true cost of attrition. Read this paper to explore these hidden costs and discover how to minimize the effect of attrition on your business.

#### INTRODUCTION

In recent years, call centers have begun to deliver more value. In industries like banking where call centers can generate up to 25 percent of total new revenues or telecommunications where they can contribute up to 60 percent of revenue, it's easy to see why. But even without the sales component, the link from satisfied customer to loyal customer to increased revenue is not hard to make.

The call center organization has made significant progress in what is measured and accomplished, but across the industry, the returns seem to have hit a plateau. Customer satisfaction has held steady at about 75 percent for years, and customer service satisfaction, at 71 percent, has also seen little progress. It seems that call centers are finding the proverbial last mile an insurmountable hurdle.

Agent attrition, interestingly enough, has also stayed constant, generally hovering around 30 percent. Since attrition always makes the list of top things to improve, it seems that leaders are making the connection between attrition and other business challenges, but most are seeing little progress.

This lack of progress in the battle against attrition has real, quantifiable costs. While most organizations may track the hard costs of attrition, with line items such as recruiting and training costs, the opportunity costs such as customer churn are harder to quantify, but more critical. Research was conducted in the form of a survey and executive interviews to discover the real impact of attrition in August 2007. This executive white paper includes those findings and will prescribe a comprehensive approach to solve the root causes of attrition across the agent lifecycle.

#### WHAT PART DOES ATTRITION PLAY?

It stands to reason that the biggest opportunity for improvement in customer service lies in working towards an optimal customer experience with every interaction. While not all satisfied customers are loyal, all loyal customers are satisfied.

According to a BenchmarkPortal report, customer service affects chances for repurchase. When done poorly, there is a significant drop in probability of re-purchase (32 percent). When there is a service issue and it's handled well, the repurchase probability is greater (89 percent) than if there were no service issues at all (78 percent).

According to widely reported industry attrition rates, one out of every three agents answering the phone at any time is new, and typically less than proficient. Call center leaders indicate they are aware of the problems this phenomenon causes. When asked to indicate the obstacles to achieving their key goals, 53 percent of respondents selected attrition, outranking all other choices. (Figure 1)

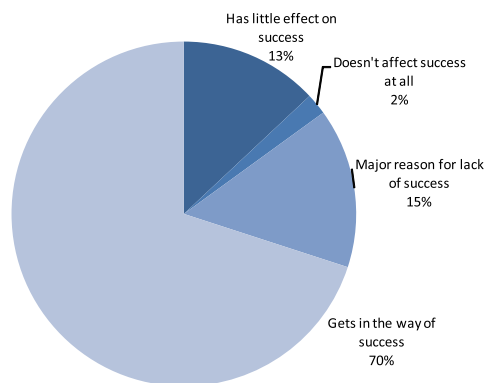
What are the key obstacles to achieving the goal? (all that apply)



**Figure 1: 53% believe attrition is a key obstacle to their goals.**

Additionally, when asked to directly describe what impact attrition has on attainment of goals, 69 percent of respondents said that attrition “got in the way of success,” while another 15 percent cited attrition as a “major reason for lack of success.” (Figure 2)

Impact of Attrition on Achieving Goals



**Figure 2: 85% indicate attrition is impacting achievement significantly.**

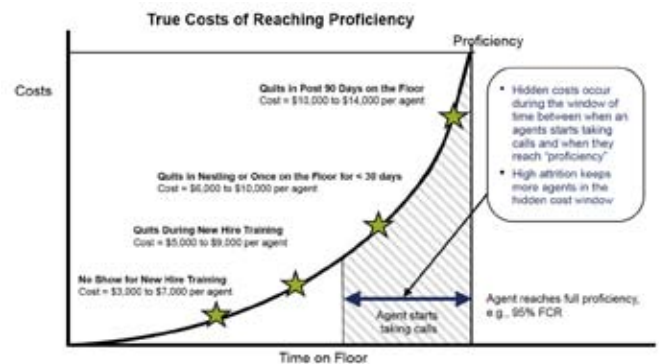
Clearly, reducing the risk to customer loyalty is a compelling reason for any attrition program.

## HARD COSTS

The hard costs of agent attrition are well known and are accounted for in almost any call center's operating budget. Typically accepted as a fact of life, attrition is dealt with in a pragmatic fashion. Acceptance of the high costs associated with attrition such as recruiting and hiring, new hire training and productivity losses have become ingrained in the call center culture. Figure 3 below illustrates these costs at different points towards reaching proficiency.

## HIDDEN COSTS

While the hard costs of attrition often justify investment in retention programs on their own merit, the opportunity, or hidden costs, of attrition are more difficult to quantify but provide business incentive. Most people would agree that new agents do not provide the same level of service as experienced agents. With the large percentage of customers who churn solely based on customer service, the impact of less than proficient agents is enormous. The following chart (Figure 3) adds these hidden costs to the hard costs of agent attrition to show the true costs of reaching proficiency.



**Figure 3**

## Figure 3

It is during the time between hitting the floor and reaching proficiency when inexperience leads to outcomes such as multiple calls to reach a solution. Studies show this failure to resolve an issue quickly largely influences a customer's intention to churn. In a study by the CFI Group, customers who do not have their issue resolved are eight times more likely to defect.

So, what is the quantifiable impact of attrition on customer loyalty and company revenue? Let's consider an example of a 100-person contact center with 30 percent attrition:

## BEFORE:

A 100-seat call center has 70 agents who are proficient and 30 who are not. The customers calling into the proficient agents have a natural, 10.7 percent churn rate. The less than proficient agents are responsible for an 18.78 percent churn rate. The center overall churns 13.12 percent of customers.

While high attrition persists, other quality and customer satisfaction improvements need massive results in order to overcome the heavy and directly attributable impact of attrition on the bottom line.

#### AFTER:

By decreasing the level of attrition by 50 percent, the center now has 85 agents who are proficient and 15 who are not. The 85 proficient agents experience the same 10.7 percent churn rate. The 15 non-proficient agents still affect an 18.78 percent churn rate. The center now churns 11.91 percent of customers.

Typically, a one percent increase in churn represents a one percent decrease in revenue. That would mean that by improving its attrition rate by 50 percent, this center increased its overall company revenues by 1.21 percent. If this fictional company had annual revenues of \$500 million, this improvement in attrition would represent over \$6 million saved in hidden costs.

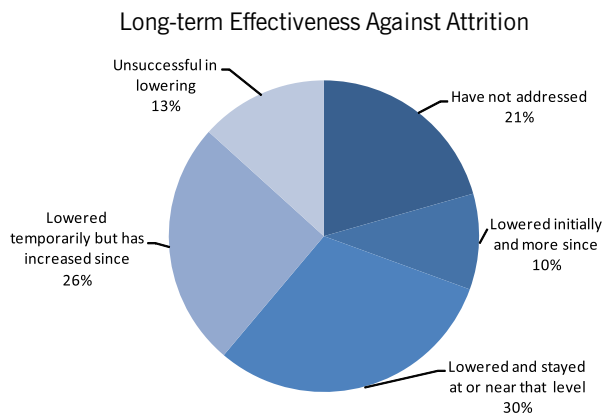
Below is a look at the calculations used to determine this impact.

ABC Center	
<b>Assumptions:</b> 100 agents <ul style="list-style-type: none"><li>FCR goal of 85%</li><li>Percent of customers receiving a resolution likely to churn – 5%</li><li>Percent of customers not receiving a resolution likely to churn – 43%</li></ul>	
<b>Before</b>	
<b>70 Proficient Agents</b> <ul style="list-style-type: none"><li>70 Proficient Agents</li><li>At 100% proficiency</li><li>FCR of 85%</li><li>85% resolved = 4.25 churned</li><li>15% not resolved = 6.45 churned</li><li>Total churn rate = <math>10.7 * 70\%</math> of calls = 7.49</li></ul>	<b>30 Non-Proficient Agents</b> <ul style="list-style-type: none"><li>30 Non-Proficient Agents</li><li>At 75% proficiency</li><li>FCR of 63.75%</li><li>63.75% resolved = 3.19 churned</li><li>36.25% not resolved = 15.59 churned</li><li>Total churn rate = <math>18.78 * 30\%</math> of calls = 5.63</li></ul>
<b>Center's Churn Rate Before = 13.12</b>	
<b>After</b>	
<b>85 Proficient Agents</b> <ul style="list-style-type: none"><li>At 100% proficiency</li><li>FCR of 85%</li><li>85% resolved = 4.25 churned</li><li>15% not resolved = 6.45 churned</li><li>Total churn rate = <math>10.7 * 85\%</math> of calls = 9.10</li></ul>	<b>15 Non-Proficient Agents</b> <ul style="list-style-type: none"><li>At 75% proficiency</li><li>FCR of 63.75%</li><li>63.75% resolved = 3.19 churned</li><li>36.25% not resolved = 15.59 churned</li><li>Total churn rate = <math>18.78 * 15\%</math> of calls = 2.82</li></ul>
<b>Center's Churn Rate After = 11.91</b>	

While high attrition persists, other quality and customer satisfaction improvements need massive results in order to overcome the heavy and directly attributable impact of attrition on the bottom line.

#### THE CONVENTIONAL APPROACH

Survey respondents reported mixed results battling attrition over the long term. While 41 percent have had success lowering attrition and at least keeping it steady, 39 percent have either been unsuccessful or were unable to sustain results. (Figure 4)

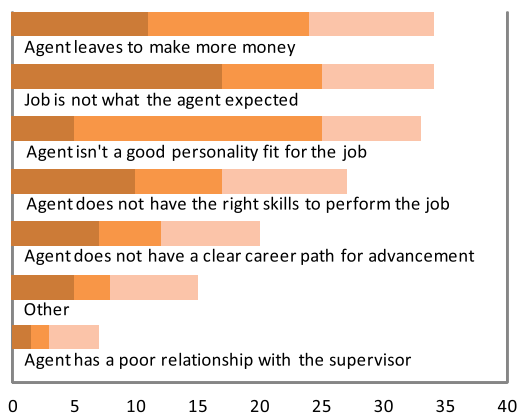


**Figure 4: Only 40 percent have been successful over the long term against attrition.**

Attrition typically ranks highly among problems to solve in the call center. A recent study by Contact Babel had 27 percent of respondents ranking it as their biggest issue. Combined with persistent high attrition rates, this suggests that the problem doesn't lie in recognizing the impact of the issue, but in the methods used to address it.

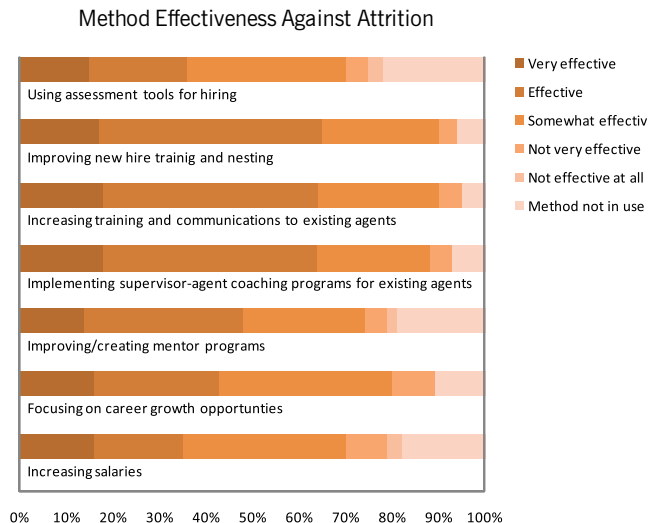
Respondents were asked both what causes attrition (Figure 5) and how effective certain methods are (Figure 6). While increasing salary is selected most often as the cause of attrition, the most highly ranked reason is related to unclear job expectations. When Number 1 and Number 2 rankings are combined, increased salary, unclear expectations and personality fit appear to be equal contributors to attrition.

### Top 3 Reasons for Attrition



**Figure 5**

However, the most effective methods to combat attrition are reported as improving new hire training and nesting, increasing training and communications and implementing coaching programs. This disconnect between the highest ranked causal factors and method effectiveness might suggest that respondents are unclear about how to apply the right methods against causal factors or that they do not have the tools at their disposal to do so.



**Figure 6**

Additional information was gathered via one-on-one interviews. It became clear that unsuccessful efforts can generally be diagnosed with at least one of two problems: One Solution Syndrome - The one solution syndrome exists where companies pursue a cure-all, end up with short-term results and begin again to look for the next new thing to improve attrition. An example of One Solution Syndrome is to create a program to "hire better." If the program is successful, the company hires the right people but may lose many of them later because other factors contributing to attrition such as coaching and training have not been addressed.

Execution Disorder – This condition exists when a solution is selected to combat attrition but fails in the execution because it does not correctly address the causal factors. An example of Execution Disorder is purchasing an assessment tool to find agents who are the best overall fit for the job. This approach may cause a poor fit in a critical attrition risk area to be overlooked because the focus is on the overall fit versus a focus on the areas that matter most.

### A LIFECYCLE APPROACH

The key to long term results against attrition is a comprehensive approach that attacks all of the root causes of attrition across the agent lifecycle. Attrition occurs at all stages, often for different reasons.

Understanding attrition risk across the agent lifecycle is achieved by looking at a combination of performance and fit of current agents. The following chart lays out a method for assessing attrition risk. In this model job performance is based on performance against key metrics and fit is based on personality traits and cognitive abilities. Personality traits and cognitive abilities are "hard-wired" and have the largest impact on long-term success and attrition.

### POOR PERFORMANCE, POOR FIT

Agents in this quadrant represent the highest attrition risk. Poor performance combined with poor job fit results in high early attrition rates during new hire training, nesting and the first 90 days on the floor. This quadrant is typically filled with new hires when a hiring process is not

To truly change the hiring process, they must first determine the most critical areas impacting attrition and assess candidates against them. In this way candidates with the least chance at success are eliminated from the process.

optimized for attrition. A typical response to this risk is to add assessments to the hiring process. The survey illustrates this trend as centers addressing attrition use assessments twice as often as those who have not yet dealt with the issue. But call centers need to be diligent to avoid using assessments to automate an ineffective, manual hiring process. To truly change the hiring process, they must first determine the most critical areas impacting attrition and assess candidates against them. In this way candidates with the least chance at success are eliminated from the process. This is in contrast to using best overall fit as a gauge since it tends to mask critical gaps in personality, cognitive ability and skills. Additionally, since unclear job expectations was highly ranked as a causal factor by respondents, a standardized



way of setting realistic job expectations should be integrated into the hiring process. Other actions that may be taken in this quadrant are:

- Moving high risk agents to more suitable roles, if movement within the organization is possible.
- Where possible, building skills and mitigating fit gaps that may respond to coaching and training among these existing agents.

After this highest risk category is addressed, a lifecycle approach to attrition would mean turning attention to the quadrants with lower risks. The makeup of the agent population will change over time as natural attrition occurs, but specific actions may be needed based on the concentration of agents in the other quadrants.

#### POOR PERFORMANCE, GOOD FIT

Agents in the lower right quadrant are typically a medium attrition risk. This quadrant may be home to many new hires before adequate training and coaching are provided if a hiring process is effective. Specific action items for new hires are:

- Provide tailored new hire training plans based on agents' existing skills
- Provide opportunities for safe practice before interacting with customers
- Provide tailored coaching and training plans for nesting and post-nesting environments
- Targeted training and coaching can also be used to improve existing agents' skills in this quadrant

#### GOOD PERFORMANCE, POOR FIT

Agents in the upper left quadrant are a medium attrition risk due to poor fit. The majority of agents in this quadrant cannot be moved to the upper right quadrant without a position change. It is not possible to change an agent's underlying traits, but training and coaching can be used to mitigate fit gaps in conjunction with other incentives to reduce attrition risk. The best chance for retention is to look for opportunities in other call center positions that are a better fit.

#### GOOD PERFORMANCE, GOOD FIT

Agents in this quadrant are a low attrition risk. Continue to train and positively coach these agents since a good-fit agent who is not provided with appropriate training and coaching can slip down into the lower right quadrant if the job changes



without adequate training. An agent in this upper right quadrant can move to the upper left quadrant if job responsibilities substantially change and he/she does not have the underlying traits to perform the job. This situation is possible in many centers transitioning from a service only to service and sales model.

### THE PAYOFF OF A LIFECYCLE APPROACH

Obviously, call centers do not improve attrition just for the sake of improving attrition. The real incentive is to improve performance against other business goals. In addition to minimizing the risk associated with high attrition, addressing the causal factors impacts the business goals of the call center and the company. Agents who are a better fit and receive the right training and coaching to do their job have more job satisfaction and produce higher customer satisfaction, leading to increased customer loyalty. Additionally, by reducing attrition, the organization will have minimized the business impact of attrition that previously reduced the net effect of other improvement efforts. These and other improvement efforts will benefit from the recouped attrition costs, and with a systematic approach in place, the call center will be poised to deliver on those initiatives.

### CONCLUSION

With the increased focus on the call center as value center for the business, centers are asked to juggle even more initiatives, often in direct conflict. Despite the best efforts of leaders, sustained progress against these initiatives often proves to be a struggle. Contributing substantially to that struggle are the total costs of attrition. As other cost-saving and improvement efforts have hit a plateau, effectively managing attrition can become a "secret weapon" to attaining higher levels of performance against the center's business goals.

While the hard costs of recruiting and training agents to proficiency are significant, hidden costs measure the impact of attrition on customer loyalty and revenue. To manage the true, total costs of attrition, call center leaders should employ an approach that addresses all of the causal factors. Essential to that process is understanding the landscape of attrition across the agent lifecycle to design a roadmap for improvement that provides the most value to the business.

### ABOUT THE STUDY

Knowlagent, a strategic inContact product development partner, conducted an online survey in August 2007 solicited via email. There were 251 respondents. The size of centers by number of agents was reported as: 33 percent with less than 100 agents, 27 percent with 101-300 agents, 11 percent with 301-500 agents, 12 percent with 501-1000 agents, and 17 percent with more than 1000 agents.

Additionally, Knowlagent held some in-depth discussions with call center or hiring executives to gather anecdotal information on attrition. There were 11 of these discussions with leaders from the financial services, insurance, and technology industries.

### ABOUT INCONTACT

inContact®, Inc. is the leading provider of Software as a Service (SaaS) applications for multi-site contact centers and distributed workforces. The inContact platform intelligently routes multi-media contacts to agents anywhere while improving management visibility, agent productivity and agent retention. inContact's patented software includes an enterprise-grade ACD with skills-based routing, IVR, speech recognition and CTI. Workforce optimization features include customer experience surveys and agent scoring analysis, call monitoring, call recording, workforce scheduling and forecasting, hiring tools to reduce attrition, and targeted training delivered to the agent desktop. inContact's all-in-one on-demand platform delivers rapid application development tools for IT control, no capex, Fortune 500-compliant security, and a 24/7/365 managed network with carrier-grade redundancy.

### ABOUT THE AUTHORS

Rodolfo Vidal, EVP and Chief Customer Officer, inContact. Mr. Vidal oversees the strategy, product, marketing and service for inContact product suite and is characterized by his ability to formulate winning strategies and implementations across the enterprise. Previously, during a 25-year career at Panasonic Corporation of America, Mr. Vidal served as director of extreme customer service (XCS), where he developed a corporate-wide initiative to address the challenge of differentiation in a commoditized market. Mr. Vidal graduated Cum Laude from Kean University in New Jersey with a Bachelor of Science in Computer Science. He earned an AASS in Electronics Engineering from Middlesex County College in Edison, New Jersey.

Matt McConnell is President and COO of Knowlagent. When he co-founded Knowlagent it was the formulation of a vision to help clients improve the performance of customer service agents with performance support software and services in 1998. Today, the company is the recognized leader in its market with more than 200,000 agents and supervisors using Knowlagent every day. McConnell is responsible for all the operational functions at Knowlagent, from product development and marketing, to sales and service. He is the author of the book *Customer Service at a Crossroads* and the holder of several software patents. He graduated from Georgia Institute of Technology in 1994 with a bachelor's degree in Industrial and Systems Engineering.

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inContact

7730 S. Union Park Ave.  
Suite 500  
Salt Lake City, UT 84047  
877-401-7227  
www.inContact.com



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