Defining and Discussing Contact Center Attrition

A Working Discussion

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Introduction

The discussion around contact center attrition rates is old. Everyone understands that:
- attrition management is an integral component of contact center operations
- lower attrition rates are generally preferable
- there are no simple answers

But that is not where the story ends.

In a recent study of attrition trends in the contact center outsourcing (CCO) sector, Everest Group observed several noticeable shifts in how both the enterprises engaging these services and CCO service providers view attrition. These shifts point to a more sophisticated appreciation and discussion of the issues surrounding attrition, where the focus is clearly moving beyond cost savings. Organizations are increasingly thinking about the links between the operational aspects of attrition and the business outcomes they impact – all viewed through the lens of customer experience.

This Everest Group viewpoint offers readers a starting point in the ongoing discussion of attrition rates. More specifically, we discuss:
1. How to establish a clear definition for capturing attrition rates
2. The factors that impact attrition in today’s market
3. Key levers commonly used to manage and reduce attrition

Further, this piece explores attrition as a strategic management issue, particularly as more organizations seek to drive stronger value from their contact center operations and create a differentiated experience for the customers they touch.

So, while the discussion of contact center attrition rates may be old – there is definitely a new twist to the conversation.
Defining Attrition: Avoiding the “Fun with Numbers” Approach

It’s safe to say there are as many approaches to assessing contact center attrition as there are contact centers. Some would even call it a “fun with numbers” exercise. But humor aside, this becomes especially relevant in the case of outsourced contact centers, as the buyers of CCO services require a method for comparing performance metrics across initiatives and service providers.

Industry organizations, such as the Customer Operations Performance Center (COPC), have established an attrition certification standard, which some contact center operators adopt. Despite these and other standards, a scan of contact center blogs and websites quickly reveals that a truly standard approach to measuring contact center attrition still does not exist.

The link between attrition rates and operational performance is integral. But the desired performance level varies by company, campaign, product line, skills requirements, and many other factors. Correspondingly, target attrition rates vary based on the nature of the customers being served, the business outcome sought, and the nature of the transactions involved.

Calculating attrition: Recommendation

The attrition formula essentially is comprised of two components: the changes to a population size (the numerator) divided by the total population for a specific period of time (the denominator). Such calculations can reflect a one-month view, a quarterly view, or an annual view – whatever meets the current needs of those managing that population.

In order to arrive at each component, it is necessary to pin down a consistent method that reflects the realities of the customer service operation. For in-house contact centers, where the Customer Service Representative (CSR) population tends to be more stable, looking at the total population in question at a set point in time (for example, the first of each month) within the desired period is likely adequate. In the case of CCO, it may be more desirable to create a monthly average, for example, by taking the average of the population total for the first and last day of each month. This then becomes your “total population” denominator.

To assess the level of change (the numerator), each customer service organization must determine its priorities in terms of insight into their staff. This is where it’s important to assess the relevance of voluntary vs. involuntary separation, and the level of tenure involved. Do you include staff changes during the training period or only those that have been on the frontline for a period of time, say 90 days? Do you include those that may continue to service your customers but have moved from one campaign to another, perhaps due to better skills alignment?
Everest Group uses the following formula in its own tracking of attrition rates in the general business process outsourcing (BPO) space:

\[
\frac{\text{Voluntary resigns of full-time employees in a calendar year}}{\left(\text{Opening headcount at the beginning of year} + \text{Closing headcount at the end of the year}\right) / 2} \times 100\%
\]

This definition looks at attrition on an annual basis and includes only those employees with full-time permanent status. It does not include involuntary resigns or those employees in the training phase.

While this definition makes sense for many BPO segments, especially those focused on mid- and back-office process areas, adjustments are needed to reflect the realities of the contact center space. The most relevant of these adjustments is to track attrition on a monthly basis and to capture the ongoing staff alignment activities, resulting in non-voluntary resigns. To accommodate these, the following definition hones in on the specific needs of the CCO space:

\[
\frac{\text{Total number of resigns (voluntary and non-voluntary)}}{\left(\text{Average number of employees in the month} \times \left(\text{# of full-time employees on 1st+last day of month}\right) / 2\right)} \times 100\%
\]

This standard definition allows for the flexibility to target different employee populations, whether by geography, role, tenure, skills sets, process complexity or client campaign. Further, the terms of the calculation are clear enough to allow a meaningful conversation to take place between organizations with contact centers and their service providers.

It is often difficult for organizations to compare attrition data provided by different service providers due to a lack of visibility into what is included in each set of calculations. In fact, some organizations do not even have their own working definition for attrition. The key for the buyers or clients of CCO services is to maintain their own internal definition for calculating attrition that service providers can then address in their reporting and which can be used to monitor attrition consistently over an extended period of time.

With the definitions above serving as a common point of reference, the clients of CCO services can better normalize information provided by their partners in the market. The ability to clearly discuss the components of an attrition calculation and mutually understand the definition greatly enhances the ability to look not only at the final numbers, but to better understand the impact of the individual components involved.
Factors that Affect Attrition Rates

As the CCO market continues to evolve, the set of factors driving attrition continue to change as well. Often, these variations are associated with the context in which a given delivery center operates, but they may also reflect changes in the CCO business itself. Based on its study of the market, Everest Group finds the following to be the most prevalent factors affecting staff attrition in today’s CCO market.

The mix of above factors will vary by city and country, depending on the particular set of circumstances in the region. For example, as the Philippines has seen growth in contact center business in the recent past, attrition rates have been impacted. With more CCO positions opening up, service representatives have increased opportunity to migrate between CCO providers. As a result, we have seen higher rates of attrition in major centers, such as Manila, and a migration of centers to new locations in Tier-2 cities. In the Philippines, attrition rates can be in the 25-35% range on an annual basis (includes both voluntary and involuntary resigns). (Source: Everest Group Location Optimization Practice)

In comparison, more stable delivery locations, such as Canada, with a very different economic and social context, experience attrition rates closer to the mid-upper teens.

The relative scale of the CCO market in a given geography also matters. In the case of smaller markets, such as Eastern Europe or Central America, where the number of contact centers is growing but overall remains fewer, annual attrition rates range from the mid-teens to about 30%, depending on the location (includes both voluntary and involuntary resigns). (Source: Everest Group Location Optimization Practice)

Neutral impact on attrition Attrition increases Attrition lessens

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
<th>Impact on attrition</th>
<th>Trending dynamic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall strong job market</td>
<td>In a high-employment environment lower-skilled workers have more employment choices</td>
<td>↑ Until recently, the wide-spread globally slow economy had acted as a damper on CCO attrition. As the job market has begun improving, there is already pressure on attrition rates</td>
<td></td>
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<tr>
<td>Availability of CCO roles</td>
<td>The number of customer service representative roles available in a given geographic region creates opportunities for CSRs seeking change within the CCO industry</td>
<td>↑ Philippines and Latin America are seeing a pick-up in the overall scale of CCO business, so new roles continue to emerge. India is fairly stable at this time</td>
<td></td>
</tr>
<tr>
<td>Better pay possibilities</td>
<td>Workers seeking better pay whether in the CCO industry or in another</td>
<td>↔ Tied to the degree of overall growth in the CCO market and the economy as a whole and the availability of opportunities</td>
<td></td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>Many factors affect the perceived job satisfaction of CSRs, including stress levels, workplace culture, client campaigns, and others</td>
<td>↓ An increasing focus area of all CCO providers, requires constant attention to multiple factors affecting perceived CSR satisfaction. CSRs tend to stick around when satisfied with their work</td>
<td></td>
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<tr>
<td>Educational aspirations</td>
<td>Many leave CSR roles and the CCO industry to pursue higher education or training</td>
<td>↔ This factor applies to certain segments of the CCO CSR population. The relative age of the CSR population is a key contributing factor here</td>
<td></td>
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<tr>
<td>Role alignment</td>
<td>The CSR role requires specific traits and skills, which not all workers are well-suited for, or interested in doing</td>
<td>↓ The maturing hiring practices of CCO service providers, and better understanding of the CSR role has seen overall stronger role alignment in recent years</td>
<td></td>
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</table>

EXHIBIT 1

Factors impacting attrition in the contact center outsourcing market

Source: Everest Group
attrition rates increase in these regions. Indeed, the discussion around attrition rates is old, but a new twist is emerging. The next section explores how a “new normal” is forming in this long-standing area of interest.

**Attrition Rates and the “New Normal:” Changing Philosophies to the Management of Attrition**

Attrition rates continue to be a key operational metric for contact centers. However, the significance of these rates is taking on new meaning in the outsourced context.

Through Everest Group studies and executive interviews, we have observed a noticeable philosophical shift. Increasingly, the focus on the management of attrition rates isn’t about shaving off an additional five percentage points or meeting SLAs. Instead, the growing focus among CCO buyers and providers is how to:

- More strategically impact attrition rates
- Accept the existence of attrition as a reality and focus on optimizing contact center operations despite fluctuating attrition rates

In other words, the link between contact center attrition rates and the effectiveness of contact center outsourcing services is gradually becoming stronger and a “new normal” is taking shape.

**Changing client mindset**

On several fronts, clients of CCO have evolved their thinking on contact center operations. After many years of focusing on cost savings as the primary driver for engaging such services, the improving global economy has clients viewing their CCO operations as a strategic investment area and more closely linked to their future growth plans.

Savvy CCO clients better appreciate the inevitable realities of attrition and are increasingly testing their service providers to demonstrate their attrition reduction programs, as well as plans for mitigating the impact of attrition. They expect their CCO providers to answer several questions:

- What sorts of practices and processes have service providers implemented to effectively address knowledge transfer, skills redundancy, and account knowledge?
- How are training programs structured, what’s the content, and how often are they delivered to both new and tenured staff?
- What kind of team culture is nurtured, and how is staff incentivized to care about their customer interactions?
- What sorts of benefits programs are in place to ease stress associated with work-life balance and to create opportunities for staff to flourish and grow as employees and individuals?
- Does the CCO provider recognize and address the realities of life in a particular city or country, including the climate, politics, economy, distances, demographics, and cultural customs?
Are there geo-specific community development programs in place to link the CCO provider and its staff to the broader community?

CCO providers are focused on two goals: keeping the customer interactions on track despite the challenges of changing staff members, and managing levers that contribute to staff attrition. (Refer to Exhibit 2).

**Service providers operating in a maturing market**

Just as clients have changed their mindset, CCO service providers have had to adapt to a maturing CCO market. As the global market for CCO services matures, the pursuit of new delivery geographies and pools of desirable workers has required service providers to develop increasingly sophisticated staff management and hiring practices, all designed to meet business goals despite the persistent reality of attrition and its implications.

Compared to just 5-10 years ago, service providers have significantly enhanced the role of recruitment practices, candidate screening, and qualification processes. They have also worked towards maintaining pipelines of appropriately skilled CSR candidates in the various geographies they operate. Similarly, staff retention practices have become bigger priorities as operators focus on enhancing the quality of the CSR experience, driving effectiveness, and managing the costs associated with new-hiring and training.

**Focusing on attrition levers that matter**

A study of the market shows CCO providers pulling several key levers in today’s CCO market to curb attrition rates and ensure the strength of customer service teams. Some CCO service providers deploy a large number of levers, while others invest heavily in certain levers they feel create the most impact. Below we have captured some of the top levers CCO buyers and services providers utilize in today’s market context.

**EXHIBIT 2**

Minimizing CCO attrition: Levers that matter

- **Hiring and staffing practices**
  - Setting appropriate expectations with candidates about roles and work environment upfront
  - Effective assessment of candidate skills and personality against role requirements
  - Fairly compensate staff based on market context and dynamics
  - Effective candidate sourcing and screening practices
  - Collaborative and cross-functional teams that allow multi-skilling, knowledge redundancy, and team camaraderie

- **Training programs**
  - Position staff to succeed from the start and feel confident in their ability to be effective
  - Create growth opportunities for existing staff and offer attainable career paths
  - Balance content/client knowledge with technical and operational knowledge for staff – keeping them equipped to succeed

- **Keeping staff engaged**
  - Benefits programs that hold value for the personal, family, and community life of staff
  - Programs that support educational and personal aspirations
  - Flexible work options that allow staff members to continue working while meeting non-work responsibilities
  - Acknowledging stressful work environments and offering mechanisms for addressing or reducing stress levels
  - Rewarding successful outcomes and contributions by individual staff members
  - Creating a sense of engagement with the account and client being served
Conclusion: Best Practices for Enhancing Attrition Outcomes

While the discussion around attrition is not new, the approaches to managing attrition and its impact are changing. There’s a new normal emerging in this critical area of contact center management, and to be successful, CCO clients and service providers will need to work together. This Everest Group viewpoint offers readers practical starting points for discussion:

1. A clear definition of how to capture attrition rates
2. A sense of the factors that impact attrition
3. Key levers commonly used to manage and reduce attrition

As a final part of the attrition management discussion, it’s important to consider several best practices used for shaping the working relationships between CCO clients and their services providers:

- Be prepared: CCO buyers will be best positioned to engage in discussions about attrition if they have their own viewpoints on the definition and mechanisms affecting attrition
- Set expectations: CCO clients want to better understand the specific programs and practices being implemented by their service providers to meet the needs of attrition management
- Focus on outcomes: For both CCO buyers and providers, the goal of attrition management is to achieve specific business outcomes. Achieving these business outcomes should be the priority, and attrition management should be viewed as an enabling mechanism, not a determining factor

A more strategic approach to attrition management can transform this operational metric into a powerful enabler of your customer service goals and, in the end, it can be a key contributor to an enhanced overall customer experience.

This study was funded, in part, by support from TELUS International.
About Everest Group

Everest Group is an advisor to business leaders on next generation global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms, in six continents across all industry categories. For more information, please visit www.everestgrp.com and research.everestgrp.com.

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