

Note: The following is excerpted from a paper published by CaLLogix entitled “Call Center Costs: Insourcing vs. Outsourcing.” It reviews the cost of a fictitious call center (American Health) where the average hourly wage is \$15.00. If you would like a copy of the paper please email sales@CaLLogix.net and provide your name and contact information.

What Does It Really Cost To Operate Your Call Center?

When we incorporate all of the factors listed previously, the real Customer Service Representative (CSR) hourly cost of operating the call center (using American’s numbers) is \$45.85 per hour. This is more than three times the actual wage rate paid to the company’s CSRs. The numbers are shown in the table below. The blank columns provide space to add up your own company’s costs.

Components of Call Center Costs

	American Health Financial Services	Incremental Cost	Cumulative Cost Per Hour	Your Company Assumptions	Your Company Cumulative Cost
Wage/Hour	\$ 15.00				
Employee Benefit Rate	25%	\$ 5.00	\$ 20.00		
Supervision	5.5%	\$ 1.10	\$ 21.10		
Shrinkage	20%	\$ 4.32	\$ 25.42		
Occupancy	75%	\$ 6.61	\$ 32.03		
Attrition	25%	\$ 8.82	\$ 40.85		
Overhead	25% (of \$ 20.00)	\$ 5.00	\$ 45.85		

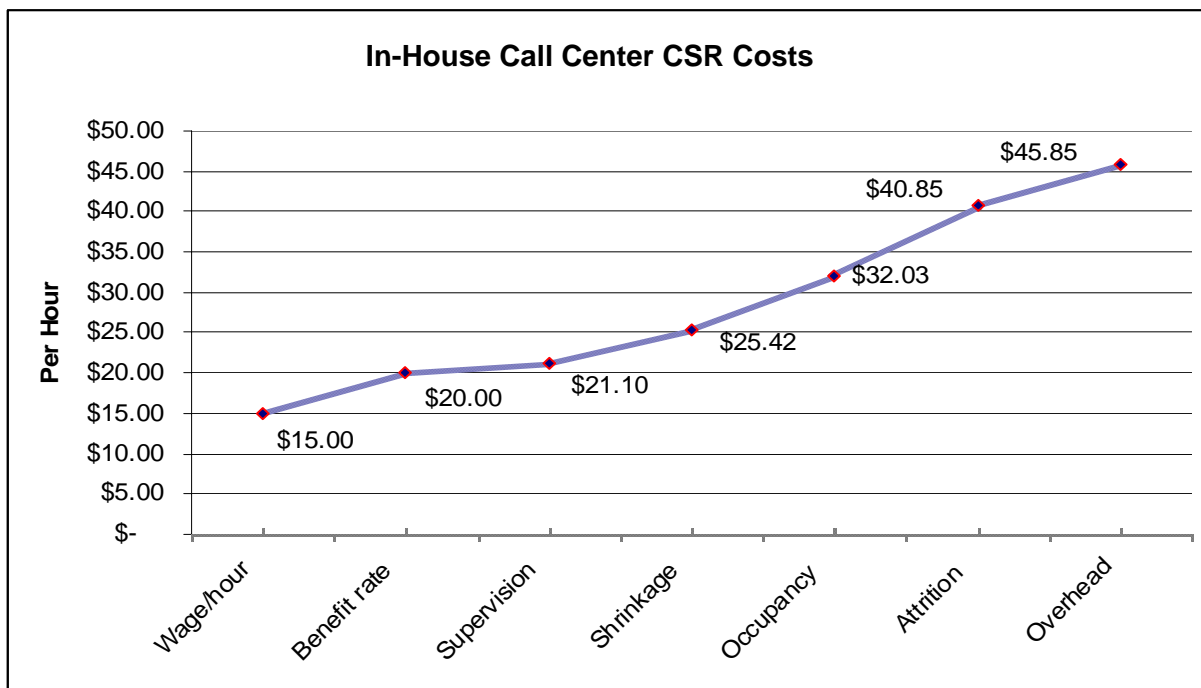


Exhibit A: Typical Termination and Rehire Events

Turnover Events	Costs and Impact
Customer service representative meets with their supervisor and announces their intent to resign and provides two weeks notice.	How much company time went into searching for the new position? How much productivity was lost once the employee decided to leave? What is the productivity in the remaining two weeks? Remaining employees work overtime to provide expected performance. These employees are at risk if asked to work overtime for extended periods of time. Alternatively, service quality declines have potentially major impact on business.
Supervisor meets their manager and/or HR representative to review the resignation. In the case of involuntary termination, how much time was spent in coming to the decision to terminate and preparing the appropriate documentation to support the decision?	Administrative overhead costs Lost productivity
Employee replacement documentation/requisition is prepared and routed for signature. Additional meetings may be required.	Administrative overhead costs Lost productivity
Notification that there is an open position needs to be posted internally and with outside sources that may include public and private agencies, job boards, newspapers and other media.	Administrative overhead costs Lost productivity
If outside resources are employed on a one-time or ongoing basis then they need to be sourced, interviewed and contracted. After the initial effort, the activities and expectations need to be managed and monitored.	Incremental expenses paid to recruiting agencies (temporary or temp-to-perm), newspapers and job boards.
Review resumes, screen resumes, telephone interviews, skills and/or personality testing, establish interview schedules, interviews with HR and supervisory management.	Administrative overhead costs Lost productivity
Internal meeting(s) to discuss candidates.	Administrative overhead costs Lost productivity
Prepare and approve paperwork to make job offer.	Administrative overhead costs Lost productivity
Wait for candidate decision and period of time before employment commences.	Administrative overhead costs Lost productivity
Schedule training program for new hire(s).	Administrative overhead costs Lost productivity
Training program last for one to four weeks (depending on service and job complexity.)	Administrative overhead costs Lost productivity
New hire is eased into providing entry-level services while being mentored and monitored by others.	Administrative overhead costs Lost productivity
Three to six months are required before new hire is fully productive.	Lost productivity
The above assumes that new hire is not terminated or resigns within the first 90-120 days of employment.	Administrative overhead costs Lost productivity

Rehiring (for any position) requires many hours of activity by many individuals. It's been estimated, that 20 per cent of every manager's time is spent on HR related activities. A well-managed call center requires the understanding of the impact that attrition has on the combination of revenues and costs and financial health.

About CaLLogix

CaLLogix is a New Hampshire based contact center company that manages millions of client calls and interactions annually, and has been in business for more than 20 years. We operate 24/365. We provide customized programs for companies requiring "high-touch," quality contact services (phone, email, and fax) at rates that are typically 30-35% less than what most internal call centers cost. Our call centers are located in Manchester and Bedford, NH.

Our programs are tailored to the needs of each client. We have an in-house training department and QA department. Customer service is our only business and we are singularly focused on providing quality contact services in a number of industries. CaLLogix is responsible for the cost of re-hiring and re-training when turnover occurs, further reducing costs.

As more companies begin to understand the real costs of operating a call center, they are considering outsourcing as a strategic initiative to reduce costs while maintaining or improving quality customer service. This provides the opportunity to focus on core competencies and partner with an entity whose sole focus and core competency is customer contact.