



Transforming Service Centers Into Revenue Centers

There is considerable industry “buzz” about efforts to transform contact centers from “cost centers” to “revenue centers.” The prevalent strategy is to have service centers add some type of selling function, such as systematic cross selling, up selling, and business conservation. Most commonly, service center agents offer additional services or products to customers calling for service. In other words, after listening to callers’ needs and requests, agents provide the required service and add some type of sale offer to further meet the needs of callers. The LIMRA survey gathered information on this trend from 167 centers.

The transformation from cost centers to revenue centers appears to be a trend, with almost 50 percent of the service centers in this survey also conducting selling activities (e.g., cross selling and up selling).

- Only a small proportion of service-selling centers (30 percent) are using key revenue metrics (i.e., revenue goals) to demonstrate their value to the organization.
- In hiring individuals with key competencies for this new agent job, most centers relied on traditional methods of resume review and interviews. This is inadequate for effectively identifying individuals with the right talents. Centers need to add more assessment “snapshots” to find applicants who will become superstar agents in service and selling.
- Training practices were skewed to service skills. For most centers, service training lasted at least three weeks. On the other hand, 31 percent of the service-selling centers had sales training that lasted one week or less, and 24 percent of the centers had no new-hire training at all. Centers need to expend more resources on training to develop agents in this demanding job.
- Most service-selling centers used compensation systems that work in traditional service centers but not in sales centers. That is, they relied on fixed pay (hourly wage and straight salary) or used nominal incentives for sales. Optimal compensation programs for sales rely on bonuses that are at least 10 percent of base salary.

- Transformation from service-only to revenue activities is on its way. Currently, centers seem to rely on traditional service-only workforce practices in staffing, training, and compensation. As the agent’s job demands more talents, current workforce practices must also transform from service-only to programs that fully identify, develop, and support new selling activities. Centers will not stay competitive by maintaining the status quo.

Frequency of Selling Activities

If the transformation from service to revenue activities was well underway, one would expect a large proportion of centers to already conduct some sort of selling activities. LIMRA found about half (51 percent) of the centers already conducting selling activities (Table 1). About 15 percent of the service-only centers reported that they expected to do so in the near future.

This indicates a change from earlier practices, when service centers rarely offered anything other than service delivery. (For example, see LIMRA’s *Staffing Practices in Financial Services Contact Centers*.) Since this survey did not find an overwhelming proportion of centers making this conversion (or planning to), we conclude that change is coming but doing so gradually.

Table 1: Proportion of Service-Only and Service-Selling Centers

Type of Center	Percent (n = 167)
Service-only	51%
Service-selling	49

Monitoring Revenue

For centers to be perceived as revenue centers by company management, they must be able to demonstrate that they can produce a dependable revenue stream, however large or small. Center management must show some level of value to the company in concrete, quantitative terms. This requires goal setting, monitoring, and performance management linked to accumulating revenue. Interestingly, only 30 percent of the service-selling centers surveyed had established explicit revenue goals and monitored them. Centers need to incorporate this practice for successful accountability.

The Hiring Challenge

Transformation from a service-only center to a revenue center involves changes in agents' work activities and requires them to have an expanded skill set. That is, in addition to the basic contact center skills (*multitasking, learning ability, communication skills, attention to detail, etc.*) and service delivery skills (*ability to meet and exceed customer needs, enthusiasm, empathy, tolerance for customer rudeness, etc.*), agents must also have selling skills (*needs analysis skills, persuasiveness, overcoming objections, tolerating rejection, etc.*). Clearly, this different competency profile creates new hiring challenges. Hiring managers must look for the more varied and complex abilities needed for successful talent in revenue centers.

Finding Service or Sales Talent

For service-selling centers, is it easier to find an applicant who is talented in service than an individual who has great selling skills? As shown in Table 2, more centers (74 percent) reported that it was easier to find applicants with service skills than individuals with selling skills (11 percent). The survey did not ask the question about finding individuals who are talented in *both* service and sales, but we speculate that centers will need to focus much more time, resources, and energy to recruit, assess, and hire these extra-talented individuals.

Table 2: Type of Applicant That Is Easiest to Find

Applicant Type	Percent (n = 74)
Applicants for service activities	74%
Applicants for selling activities	11
No difference	15

Most Difficult Hiring Steps

The survey compared difficulties in hiring successful reps for service-only centers with service-selling centers. In general, hiring agents for a service-only center was seen to be about as difficult as hiring agents for a service-selling center (Table 3). Similarities included “recruiting applicants,” where 24 percent of service-only centers and 22 percent of service-selling centers rated this step as most difficult.

Table 3: Frequency of the Most Difficult Hiring Steps

Most Difficult Hiring Step	Service-only centers (n = 74)	Service-selling centers (n=74)
Recruiting applicants	24%	22%
Accurately assessing for minimum qualifications	14	31
In-depth assessment	27	16
Coming to consensus on who to hire	4	1
All steps are equally difficult.	23	26
No steps are difficult.	8	4

The type of center did, however, produce two notable differences. First, a higher proportion of service-selling centers found it difficult to assess applicants for minimum job qualifications than did service-only centers (31 percent versus 14 percent, respectively). Second, more service-only centers found it harder to conduct “in-depth assessment” than did service-selling centers (26 percent versus 16 percent, respectively). It seems that assessing *minimum talent* to do *both* service and selling is more difficult for service-selling centers. On the other hand, drilling down to carefully identify superior service talent among a group of qualified applicants is a greater challenge for service-only centers.

The findings for assessing different skills make intuitive sense — looking for minimum qualifications for a single aptitude is easier than for two skills (e.g., service and sales aptitude). But for one skill, the challenge becomes successful in-depth evaluation for hiring the best.

Assessment Snapshots

Recruiting generates a pool of talent from which to hire superstar agents. The next step in hiring involves finding those superstars by assessing critical skills and abilities. Table 4 lists how often different assessment strategies were used. The three most frequently used strategies were the management interview, the human resource interview, and examination of relevant past work experience.

Service centers have traditionally hired on the basis of the applicant's past work experience and the results of multiple interviews. However, this assessment program is inadequate for assessing individuals who must have multiple skills in service-selling centers. The long-time reliance on resume review and interviews is usually inadequate for superior hiring success.

Table 4: Frequency of Specific Assessment Steps Used in Hiring Agents*

Assessment Step	Service-only centers (n = 77)	Service-selling centers (n=77)
Must have prior customer service experience	58%	65%
Must have prior selling experience	0	20
Human resource interview	73	74
Formal phone interview	40	56
Service aptitude test	35	35
Sales aptitude test	1	10
Cognitive ability test	25	24
Personality test	19	24
Keyboard skills test	24	32
Simulation test	14	15
Role-play	17	28
Manager interview(s)	85	96
Peer interviews	21	19
Realistic job preview	30	33

*Sums to more than 100 percent since multiple responses were allowed.

Recommendations for Recruiting and Assessment

There are several strategic steps centers can take to maximize the opportunity to find the best people for both types of centers.

- Use more “warm” recruiting sources (e.g., employee referrals and internal posting) than “cold” sources (e.g., newspaper ads and Internet job boards). Warm sources provide a personal link between the prospective applicant and the job. In employee referral programs, for example, employees — having knowledge of the job — look for individuals who are likely to be successful as an agent. In turn, the potential applicants can talk to the employees to learn more about the nature of the work and whether it would suit their personal requirements. They can then withdraw before the formal process begins, or they may proceed with the application. In this way, applicants who have an understanding of the job are motivated to apply, and those who are likely to be qualified remain.
- Use multiple snapshots of applicant qualifications. Too often, centers rely on a review of resumes and a series of interviews, as evident in Table 4. This method of gathering information does not provide much data on the applicant’s qualifications. More information comes from multiple snapshots — that is, information coming from several different assessment methods other than resumes and interviews.
- Use direct measures of relevant success skills, not indirect measures. Resumes and interviews do not yield direct and verifiable information. On the other hand, validated tests of service aptitude and sales aptitude are direct measures. Table 4 shows that 35 percent of service-only centers and 35 percent of service-selling centers used a service aptitude test. But only 10 percent of service-selling centers used a sales aptitude test to obtain a direct measure of selling skills.

Training

In addition to using good hiring practices, centers need to train new hires on company products, services, and systems to optimize their productivity level in both service and selling. We would expect to find that service-selling centers expend more time on new-hire training than do the service-only centers because of the additional skills needed for the sales/service job.

As shown in Table 5, the survey found that both types of centers invest considerable time on service skills. Specifically, 35 percent of service-only centers required three to six weeks of training, and 38 percent of the centers had training that lasted seven weeks or longer. For service and selling, 52 percent of the centers had three to six weeks of service skills training, and 19 percent of the centers had service training of seven weeks or longer.

The time allotted for training in selling skills was noticeably shorter. Sales training in approximately 1 in 3 service-selling centers (31 percent) lasted one week or less, and 1 in 4 centers had no new-hire training at all. The data suggest that the centers are not making a serious investment in developing successful selling practices.

Table 5: Time in New-Hire Training for Service and Selling Skills

Time in Training	Service-only centers (n = 77)	Service-selling centers (n=77)	Service-selling centers (n=77)
	<i>Service Skills</i>	<i>Service Skills</i>	<i>Selling Skills</i>
None	1%	1%	24%
1 to 2 days	3	5	10
3 to 5 days	5	6	21
1 to 2 weeks	18	14	17
3 to 6 weeks	38	52	18
7 to 10 weeks	16	10	4
11 to 15 weeks	8	4	0
16 weeks or more	12	5	6

Lack of training resources coincides with findings on inadequate hiring practices. Training programs should be tailored to skills required by the job. If selling is part of the job, then training programs should obviously include development and guidelines on how and when to conduct selling with the service function.

If no training occurs and the incumbent is directed to cross sell or up sell to generate revenue, negative consequences can occur. Agents could:

1. Be hesitant to make the sale because since they do not know what to do
2. Make their own attempt, creating inconsistent techniques and results across reps
3. Use inappropriate techniques that alienate callers who originally came in for service assistance

For service centers to be successful revenue centers, more attention must be devoted to creating formal training programs integrating top-notch service with appropriate selling activities.

Compensation

The survey also investigated compensation practices in service-selling centers. Traditional fixed compensation methods such as hourly wage or straight salary are typically used in service-only centers. While they have been used effectively for service jobs, these pay systems are not optimal for sales jobs. The most effective compensation methods for sales jobs are incentive systems. The best of these involve a flexible pay system that is linked directly to selling activity. Terms include sales commissions, pay-for-performance, and sales bonuses.

The survey found that more than half (66 percent) of the service-selling centers used some form of incentive system (Table 6). However, closer inspection shows that a large proportion of the incentive systems are not those considered effective.

First, the incentive programs in the “Other” category of Table 6 were not continuously linked to sales. This category comprised mostly intermittent sales contests and special events. There is no direct contingency for all sales. Second, most of the centers that used incentive programs offered bonuses that were less than 10 percent of base salary — a percentage that compensation theory suggests is ineffective as a motivator.

Table 6: Proportion of Service-Selling Centers With Some Type of Sales Incentive System

Use of Incentive Systems	Percent (n = 75)
None — straight wage/salary	35%
Wage with bonus up to 10 percent of base salary	20
Wage with bonus over 10 percent of base salary	7
Other*	39

*Contests, special events, and other revenue sources that were not continuous

In this sample of centers, only 7 percent leveraged the optimal pay system for sales. In sum, most centers offered little or no incentive for selling. Rather, pay practices were more like those found in service centers — fixed pay or nominal bonuses.

Service-selling centers should consider revising their compensation system to have sales performance directly related to monetary bonuses that are 10 percent or more of agents’ base salary.

Next Steps for Revenue Transformation

This survey found that the transformation to revenue centers is underway. We can expect more service centers to have agents undertaking selling activities. The question now is not whether, but *how successfully*, contact centers will make that transition. For service centers to move into the realm of revenue generation will require examination and reformulation of some of their fundamental business practices. Taking on sales cannot be accomplished successfully as merely an add-on to the status quo.

This study examined specifically whether centers are preparing themselves with hiring the right talent, developing the right skills, and using compensation to maximize selling success. The results show the need for some changes. These new centers need to think outside the traditional service model and align workforce practices with business practices.

Most of the service-selling centers still rely on personnel practices designed for service-only centers, not for service-selling centers. Many of the centers surveyed probably have good service reps, but service-selling centers cannot operate with a workforce of *only* good service reps. They need a workforce of reps who can deliver outstanding service and who can also close sales to meet revenue goals. The right training and incentives can develop some service superstars into sales *and* service superstars, and careful recruiting and selection will produce more.

The new revenue centers cannot be passive about this needed change. Resources and time are required to build the best recruiting, hiring, training, and performance management systems. The time to do it is now, as competition for the support of one's own organization and external competition heat up. The good news is that the tools are available for successfully taking on sales functions.

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