

## Building a Business Case for IVR

So, you already know that the advancements in IVR technology will allow your organization to automate calls in a way that was never possible before. You also know that customers are looking for ways to meet their needs without always talking to a call center representative.

But, you are not quite sure how to get an IVR project approved in your company.

The purpose of this document is to give you the high level framework by which to approach the topic and set you up for success as you navigate all the stakeholders within your organization for approval. Regardless of the specific technology you choose, if the economics and customer experience metrics don't add up, then the project will never get approved.

Start by **familiarizing yourself with the overall industry metrics** that represent most customer service organizations in the U.S.

**75%** think calling is the most effective way of getting a quick response  
- (*NewVoiceMedia – “A Nation of Serial Switchers”*)

**72%** of consumers indicated that customer service was one of the biggest drivers of loyalty  
- (*ZenDesk Brand Loyalty Survey*)

**78%** of consumers have bailed on a transaction or not made an intended purchase because of a poor service experience. - (*Source: American Express Survey, 2011*)

**50%** of customers think it's important to solve product or service issues themselves  
- (*Zendesk 2013 - the omnichannel customer service gap*)



# Guide to IVR 2.0

Below are some of the most common and measurable benefits - these may vary depending on your specific business objective and selected vendor.

Tailor this section to address the specific business pain point you are trying to address.

- **Improved resolution** – Through personalized self-service or more strategic call routing the first call resolution rates will increase.
- **Scalability to meet peak call volumes** – External factors affect call volumes on a daily basis. With automated call types, the peaks will be handled effectively, as well as after-hours calls.
- **Improved customer and agent experience** – Common, repeated requests can be handled via self-service. For more complex requests, there is intelligent call routing to direct the caller to the appropriate agent.
- **Cost savings** – Call managed by IVR is significantly lower than an agent costs.

## Understand your current costs

Very often business cases are put together with a clear calculation of the new costs, particularly those from the selected vendor. What they often fail to do is use the right baseline for the current costs. In call center projects in particular, it is vital that the current calculation for “cost per call” or “cost per minute” is accurate.

To figure out the total cost of operations use the top down approach listed here:

- **Total contact center costs on an annual basis:** Any costs that vary based on the number of agents must be included. Examples include the computers and phones that agents use. Include this cost in the baseline costs of the center because you would not need those items if that agent were not there
- **Exclude anything that would be required, even if you only had a small handful of agents:** This includes real estate, building maintenance, some administration costs, etc. (Those costs would theoretically go away altogether if you were going to outsource the center completely, but for this purpose, we are just trying to exclude fixed costs that are not dependent on the number of agents.) By doing this, you are sure to include all the other costs that should be included to support the agent including supervisors, WFM, QA, and management.
- **Do the math:** Annual baseline costs –fixed costs / the number of contacts you handle per year = cost per contact. You may need to divide proportionately if some of your agents are dedicated to certain channels, like chat or even back office processing, so that you can get a sense for the cost per contact by contact type. In the voice self-service arena, we are after the cost per call.
- **Evaluate:** With a realistic cost per call in hand, you can now assess the impact of the project against the cost of a live agent. A few ways to determine this might be to ask “What would a 1% improvement in cost per call have in terms of impact on my P&L?” You can also ask this same ‘1% improvement’ question about average handle time (AHT) or call volumes.

How would a

1%

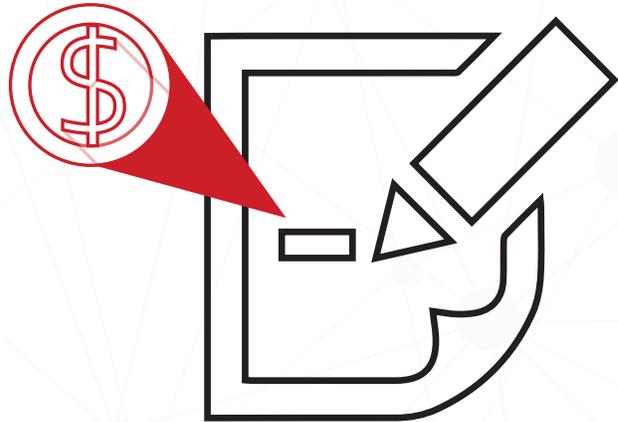
improvement in  
cost per call impact  
your P&L?



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## Understand the New Costs

Very often the biggest benefit of conducting a more diligent business case process is the identification of cost items that were not anticipated and potentially not communicated clearly by the vendor. The list below is intended to spark that thought process and guide you in asking the right questions before you sign a contract.



### On-Premise

- **Equipment including software licenses & servers** – This will be the initial investment and a one-time charge.
- **Facility & equipment maintenance** – An ongoing cost that can be expected with any large technology purchase.
- **Depreciation / hardware replacements** – As with most of the equipment it takes to run a business, on-premise IVR technology and platforms become outdated and will require upgrades or replacements to remain relevant.

### Cloud Solution

- **Monthly usage fees** – Costs will vary depending on the IVR vendor and how they charge. This may include call transfers, monthly fees by volume, and cost per call.
- **Vendor improvements / updates** – Sometimes these are included in the monthly fees but will vary per vendor. This may include new added features and technology upgrades that will add benefit to the solution you already have in place.

### Both

- Installation, integration, training
- **IVR Development** – In both scenarios, development of the actual IVR (menus, call flows, routing etc.) is required. If selecting an on-premise solution this will require a lot more internal IT resources unless outsourced. With a cloud solution it will be a combination of vendor and internal resources.
- **Ongoing tuning** – Your cloud vendor will manage this but prices will vary depending on the vendor. On-premise will be managed internally or outsourced.
- **Professional Services** – Same as ongoing tuning
- **In House Administrative & IT Support Staff** – This cost will be more difficult to measure initially since it is a new project. It may require a lot more up front time, and then eventually taper off to maintenance or managing issues as they arise.

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## Understanding the Benefits

Immediate measurable benefits:

- **Headcount savings** – The IVR will handle certain calls and replace agent time on the phone. You may not immediately lower the agent count, but it will give you the option not to hire any new ones. Eventually the headcount may drop and you will have a smaller more specialized group of agents.
- **Recruiting and Training Expense** – With the reduction in hiring, the expense and hassle of recruiting and the effort spent on training is often overlooked.
- **Reduced Operational Expenses** – A typical phone call with an agent costs 50-80% more than it would with an intelligent IVR.
- **First call resolution** – Allowing callers to get information and questions answered on their own the first time without speaking with a live agent will result into less call drops.
- **Reduced Call Transfer Rates** – With a sophisticated and well tuned IVR, the number of misrouted calls should be significantly reduced.



## Long term expectations / benefits:

- **Improved CES** - Customers will be putting in less effort to get their issues resolved. Effortless engagement has proven to be more valuable than offering multiple channels and trying to delight the customer.
- **Empowered agents** – With the repetitive manual tasks being handled by automation, more complex projects can be transferred to agents. They will be utilizing their critical thinking, empathy, and/or sales skills, which will make them feel more valued by their customers and their employer. Productivity and efficiency will increase as the automation and agents work together to assist many more happy customers.



- **Reduced Attrition** – Aside from the measurable costs of recruiting and training, there are some less tangible costs attached to high attrition. A continual flow of new and inexperienced agents managing customer service issues eventually starts to affect customer experience and long term customer loyalty. Better automation and empowered agents (mentioned above) gives agents fewer reasons to leave, since they are less likely to feel undervalued in the tasks they perform.

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## Next Steps/Recommendations

Using the information provided in this document, the next steps guide you in determining the ROI of a voice self-service solution.

- Figure out your actual numbers using the Understand Your Current Costs section above.
- Determine if a cloud based solution or an on-premise solution is best for your business. Then, figure out the presumed costs using the Understand Your New Costs section above.
- The return on investment is the difference between the old costs you would be accruing without the technology and the new costs you would be accruing with it. It's important to project these numbers over at least one year, and a better idea to project them over one, two, and three years. Be sure to account for improvements in the technology, any anticipated downsize in staffing, or other possible expenses/savings.
- IVR vendors should be able to help you calculate ROI numbers and guide you through the process of projecting two or three years down the road.

Now that you have an overview of the benefits and real ROI numbers it should be ample data to present internally and work on getting the project approved.

## Project ROI

**numbers out over  
one, two, and three  
years at least.**

