

# Understanding Telemarketing

## *A quick start guide to telemarketing success*

Telemarketing is a lot more than simply making calls. For the novice and the experienced, it can be a difficult and complex process. Here we will outline what you should know about Telemarketing and what to expect. This is certainly not a catch all but it will help to ensure a strong foundation into making a successful telemarketing program.

### **Telemarketing Call Centers**

There are around 5000 telemarketing centers throughout the United States. These centers vary greatly in size and service offerings. The majority of all telemarketing programs are called by the largest 50 call center companies in the United States. When deciding what to look for in a call center examining many of these call centers to find which one is the best fit for your telemarketing program is the best route to ensure success. Of the 5000 call centers most of them are about 20-50 seats, and run smaller programs or lower paying programs that emphasize less technology, lower quality, or the clients require little DNC compliance. The larger call centers have a greater technological offering but most companies will need to conform to the requirements set by these telemarketing firms, which can be a good or bad thing depending on the amount of control you want over your program and the amount of attention it deserves. The large 50 may only be best for companies looking to combine their telemarketing offerings. Many companies that spend a significant amount on their telemarketing programs split the work between several vendors to ensure a healthy competition and to ease their dependency on only one provider.

Size does matter, and most telemarketing experts have found that the best centers perform when they have between 100 and 200 hundred seats. The logic behind this is that once a center reaches a larger level it generally churns through much of the population. Most centers are located in areas with a population under 200,000 or in a place where agent pay at less than \$10 per hour. Some centers will build extremely small call centers in remote locations to try and build quality agents. However, doing this can often result in burning through the labor force quickly. It is best to try and find a center in a medium population city with a low job market. This center should have 100-200 seats which is the optimal size to manage and control agent quality.

### **Offshore vs. Near shore vs. Onshore**

Telemarketing outsourcing has become the focal point of much media attention, and the reality is that companies pay for what they get. Near shore telemarketing which typically runs between \$18-



\$20 per telemarketing hour has been successful in the Hispanic market but has failed to become popular in the United States. Accents are still heavy and the learning curve is too vast to really supplement Onshore agents. Offshore telemarketing has a much worse effect and although it has become popular for inbound centers. The reality is that the companies that are doing this are companies that can afford to lose customers through lack of customer service. One of the most popular cases against offshore comes from Dell who's outsourcing options nearly crippled the company.

### **Brick and Mortar Vs. At Home**

One growing trend in the telemarketing world involves placing agents at home and allowing them to telemarketing from at home PCs. Although the concept is fantastic the cost savings are very minimal, and agent development, training, and quality are significantly jeopardized. The at home agent model works very well for inbound customer care when the call demand is high because it allows companies the ability to quickly ramp up. However, when addressing the outbound a significant lack of quality and agent drive means a significant lack of production.

### **Outbound Vs. Blended Vs. Mixed**

The first important thing to realize when thinking about inbound vs. outbound telemarketing is that good outbound is completely different than good inbound. Usually agents who are good at inbound find themselves to be lackluster at outbound and the converse scenario is the same. It is best to have agents in a single environment such as outbound only, or inbound only. Separating these two options means a healthier environment. Mixing the services ultimately lead to lower performance. Blended centers although interesting in concept perform lower then outbound centers. Mixing the two services into one facility can have another significant reduction in overall productivity. It is best to work with a facility that specializes in either inbound or outbound.

### **Agents**

This can be an important consideration when choosing a telemarketing center. However, it is also important to think about what a telemarketing center does with agents to make them successful. The first thing to remember is that few people grow up with the dream of becoming a telemarketer. Some join when they are young and fall in love with the job. Others stay with it to supplement their income. Some do it out of necessity and others do it because it works around childcare school or as a retirement job.

No matter where the agent pool comes from, one of the most important thing to consider is where does it go? Some call centers will work to breakdown agent demographics, others will stress the maturity of agents. One of the tell-tale sign of a company is its turnover rates. When a turnover rate exceeds 20% then the call center may be hiring many agents and hoping some of them work well. Call centers below that 20% marker are running careful hiring programs and then working with agents to turn them into successful agents. There are two theories of cost savings in a call center, the first addresses a minimal training approach where agents are simply trained to a minimal level and then thrown into the mix with the expectation to perform. This lack of training should filter out



the good agents and save money in the long run. Call centers then hopefully can pass that training onto clients with a reduced cost per hour. The second theory involves in-depth training and agent development skills that keep the agents healthy and happy while training them to do a better job.

The later of the two is clearly the best way to train agents and at the same time reduce turnover. Although the cost is higher, the overall sales improvement can be passed along to the telemarketing client. This helps to ensure that all of the agents in the building have better product knowledge and more customer interaction skills which inevitably improve branding images. Good training will ensure a steady sales force performance as well as a sales force with much lower turnover.

### **Technology**

Technology is one of the major factors with looking at starting a telemarketing program. The Dialing systems alone are nearly worth the cost. Telemarketing dialers can make calls more efficient and productive than any other possible methods. There are two standard settings, Predictive and Preview. Predictive settings are what got telemarketing companies in trouble for a so many years with consumers. Predictive dialers use algorithms to predict how many numbers to dial and then it sends each number to the sales floor when a person answers. These systems have the ability to pick out answering machines, faxes, and disconnected numbers which means that agents get more live connects than any other means possible. The systems call more numbers than there are people dialing based upon average call times, connects, and a myriad of other factors. These dialers are so impressive that they can do for an agent in a day what it would take a normal sales person to do in weeks. This is why telemarketing is so much more effective than having a sales force making phone calls.

Data is the other major factor in the telemarketing world. Both incoming and exporting data are vital to all companies and it is important to have a telemarketing company that works to meet all of your data needs. Telemarketing centers should have an on staff group of programmers and data processors to ensure that data files arrive accurately and on time. In reality, this data is the product being delivered by the telemarketing company, and although overlooked, it is often the most important part of the program. Make sure that these companies also provide you with set-up information to ensure the program start is a complete success.

Security is a final concern that should be considered when choosing a telemarketing center. Most telemarketing centers have security processes; however, it is important to make sure that they are PCI DSS (Payment Card Industry Data Security Standards) compliant and that they are following all of the required credit card and data security processes. In addition, ensure that they have an external secure data storage site as well as a disaster recovery plan.

### **Testing**

When first running or changing a campaign, it is important to understand that the only way to really be sure if a program is going to work is to test the program and the call center. Many programs do not work out to be an overwhelming success in the first month. The goal should be to hit realistic goals on a program and then gradually improve upon those goals. A telemarketing test

should never be under 500 total telemarketing hours and it should always run for at least a month before considered a success or failure.

Testing is a direct marketing 101 tactic, and it holds true in telemarketing. Even after a program has started it is possible to test different variables such as scripting and target markets. Working diligently with your telemarketing service provider can help to ensure that they telemarketing process and all of its variables are successful.

## **Metrics**

Telemarketing is part of the direct marketing school of thought, and like any form of direct marketing the metrics play a crucial part in the success of the campaign. Essentially, success comes from combining a two part equation. Part one involves a complete understanding of practical metrics and then making them effective. The second part of the equation is very difficult to place a definite metric on and essentially it involves the practicality of the offer and the demographics of the market it is being marketed to.

### ***Calls Per Hour***

In essence this should be an easy question but the reality is that it can be more complex than what meets the eye. Tele Resources, Inc., is equipped with state of the art dialer technology. This allows us to make massive volumes of calls per hour. However, this also allows us to filter out a lot of the calls that waste agent dialing time. Some examples of these are fax signals, busy signals, and disconnected numbers.

Next look at a typical campaign, the average B2B program has fewer contacts per hour and fewer calls are made on a day to day basis. This is because agents are speaking with secretaries or going through extension numbers, IVR systems, or getting voice mail. Although this may seem like it would only take a few seconds per call, multiply that number by 40-60 calls per hour and you can see a big difference.

The things to look for in calls per hour is actually contacts per hour and delete rates. I will explain how this process works.

The average telemarketing list is penetrated to 75%. After this the list can still be called however performance often drops. The 75% does not mean that 25% of the records were not called it means that 75% of the list had some sort of response or was max attempted. A quick note here will be taken to mention that penetration rates are a client specific metric. On some pay per performance programs it may be best to allow the telemarketing group to dial the program until it is no longer performing at a rate that is profitable.

Max attempts are the maximum attempts for a record in a campaign before it is no longer called. Typically a record is max attempted at 7-10 times. Of course this can often vary. An attempt is just that, an attempted phone call. For whatever reason a decision maker was not reached and the record is going to be called again.

So if we have a list with 100 records in it and we set the max attempt rate at 10 the most we would call these records is 1000 times or  $100 \times 10$ .

To bring this all together lets go back to the idea of contacts per hour. On a typical B2B campaign a caller can expect 6-8 contacts per hour. These are actual conversations with Decision Makers (DM) and most likely result in a sale, or a refusal. In addition to this 6-8 per hour there will also be wrong numbers, bad numbers, out of business, and max attempted numbers. On average this will mean that the average campaign will have what we here at Tele Resources, Inc. call a burn rate or delete rate of 12-14 records per hour.

For the remainder of these metrics we will focus on the B2B average of 8 contacts per hour. However, it is just as important to look at B2C metrics as well. B2C is responsible for nearly half of all telemarketing programs and are typically dialed at a faster pace using all predictive capabilities available. Typically it is safe to expect 12-14 contacts per hour in a B2C program with a similar burn rate of 6 records per hour. The reason for the high contact level involves the simplicity of the calls. Most non-answered calls such as answering machines can be filtered out using a predictive dialing system. This means that the majority of the records that actually reach the sales floor involves someone at the targeted household answering the phone. Here agents are simply doing an "ask" for the correct lead. Here it boils down to a "yes" they are here or a "no" they are not. Sometimes there may be some inquisition about the nature of the call, which a properly trained agent is able to handle with minimal resistance.

When trying to understand what your call campaign will consist of make sure to have how many hours are going to be dedicated to it, the Burn Rate, and contact per hour rate. These can be some of the most effective contributing factors.

Let's look back at the list of 100 records that we started at. If we set a max attempt at 10 and a penetration rate at 75% we will see something like this:

$100 \text{ records} \times 75\% = 75 \text{ records}$ .  $75 : 12 = 6.25$ . This means that the list will run approximately 6.25 hours. (For those more advanced and trying to find a more exact number, they may take the mean number, in this case 13, and do the same problem and get 5.76 hours of dialing.)

If we take that 6.25 hours and assume that we were speaking with 6-8 leads per hour we can estimate somewhere between 37.5 and 50 Decision Makers (DMs) were reached with this campaign.

At this point it is time to think of conversion rates. Conversion rates are the amount of sales that are created out of the actual number of contacts reached. For example, if we had reached 50 DMs and made 6 sales then we would have dialed that program at an 8.33 conversion rate.



The final major consideration is to set goals for the sake of easy math. Let's say we dialed 6 hours and made those same 6 sales. Then the program would have dialed at a 1.00 SPH, or sales per hour.

Use this to figure out cost. 6.25 hours multiplied by an hourly rate, for example, \$25 per hour.

$6.25 \times \$25 = \$156.25$  for this calling campaign.

## **ROI**

This infamous acronym stands for "return on investment" and is ultimately the most important consideration when thinking about telemarketing. Telemarketing can be one of the most expensive and at the same time one of most profitable forms of direct marketing. The best way to gauge telemarketing is to first figure out what the metrics say and ultimately what conversion rates and SPH goals can make the program a profitable experience.

One of the first things to consider is the cost per acquisition or sale, and at what point a telemarketing program is profitable or not. It is also important to consider how valuable retaining each customer can be. For example, it may be easier to get a low cost sale by charging a reduced price in order to retain or acquire a customer and then turn a profit on them with continuity offers or an ongoing sale process.

Ultimately, it is the telemarketing center's job to help ensure that a program is successful, however, this cannot be done without a client's due diligence in ensuring an accurate understanding of what an ultimate ROI should be or a program will never make it out of a the testing phase.

## **Telemarketing Costs**

Many clients will frequently ask what costs are involved in making programs so expensive. Also, many clients ask why they cannot simply hire a few local people to make phone calls for them. The reality is that one or two agents calling for a local company may be cost effective in the short term but hiring an outsourced call center partner is always the most effective means for making a profitable telemarketing campaign.

One of the first things to consider is the cost per call level. Using a typical phone and PC single agent calling method can result in at best 100 calls made per day. Some people will say that their agents can make nearly 200 calls per day; however, it is very improbable that these calls are properly diagnosed and documented. The reality is that 100 is still an extremely high number considering CRM and database activities. If an agent makes 100 calls per day and that agent dials for 7 hours (we will take out an hour for no dialing breaks and other company distractions) that means that the agent is making about 14 calls per hour. If the agent is paid \$9 per hour, the average cost per call is \$0.64. With an outsourced call center agents can make 40-80 calls per hour using predictive equipment. At \$25 per agent hour this means that the 40 calls per hour equals \$0.62 and the 80



equals \$0.31 per call. Typically, this also includes the training and upkeep of the program as well as the programming and data. Let's not forget to mention the telephone bill.

## **Quality Assurance**

One of the most important factors in the overall success of any telemarketing program comes with the quality assurance efforts that are placed on the program. Quality assurance essentially means that calls are being monitored and reported on and that the clients overall branding image is being represented. It should also mean that every sale is verified as an actual sale before it is sent off to a client and a customer is billed for something that they truly did not want nor ordered.

### **Silent or Shadow Monitoring**

In order to ensure that the call center is running with all of the metrics and skills that you have asked them to, and that the center's agents are using the scripting and the verbiage that the client has approved, it is important to ensure that the call center has silent monitoring capabilities. This service will mean that the call center is willing to let clients listen anytime because they believe in the quality of their services and the programs that they are running.

### **Hosted Monitoring**

Hosted monitoring is a service absolutely necessary with any call center that is outsourced to. This process allows the client to listen live to each of the agents while a representative from the center is listing in as well. This process works as collaboration between the two groups, where active participants can help improve much of the overall strategy.

### **Sales Verification**

Each sale or lead made during the telemarketing process needs to be carefully evaluated by an independent Quality assurance person. The reason for this evaluation is to simply ensure the quality of everything created by the telemarketing department. This process ensures the customer stick rate and can significantly increase the overall payment rate as well as the customer longevity.

## **Direct Marketing Reporting**

There is one thing to be said about telemarketing that cannot be said about any other form of direct marketing, with the exception of maybe surveys, and that is that telemarketing captures your market's response and feedback right from their mouths. They tell telemarketers exactly why they are not buying products and services. This metric can be reported on and really, it can provide an exact idea of where the product can be improved. Really, this is just a byproduct of the telemarketing product but it is worth its weight in gold to a business that wants to find out what they can do to improve their efforts.

### Daily reports



Daily reports are sent out each day to cover the prior day's calling. These reports are an exact listing of the activities that happened in the prior day and important when looking at what is happening on a day-to-day basis.

### Monthly Reports

These are detail oriented reports that outline an entire months worth of dialing. They are similar to daily reports only they span a longer period of time. For example, detailed monthly reports can show averages that should be hit. Disparities between monthly efforts can help illustrate what should be improved in training or what may be wrong with different lists. Ultimately, monitoring each months worth of dialing can only help to optimize the overall performance of the program.

### Period to Date Reports

These final period reports can illustrate essentially the end results of a full quarter or term of dialing. Using these metrics can help to illustrate not only success, but deficiencies, over a long term period of time. Using these reports can help to illustrate best calling periods and best practices. For example they can help to illustrate that end of months are the best periods to dial or what season times to ramp efforts.

### Account Management

One major consideration when looking at a program is who is going to be handling the account management of the program. In larger centers account management can be handled by long term employees or even short term employees. The success of the telemarketing program in a lot of ways depends on the abilities of the account management staff so it behooves anyone looking at outsourcing a telemarketing program to understand the account management team.

### Federal Compliance

In the telemarketing world the cost of outsourcing can almost be justified by the ability for a call center to ensure that they are telemarketing within the legal requirements. Even the loosest translation of the DNC requirements and federal dialing requirements mean a lot of expense for companies that try to have in house telemarketing. Even one error on a call can cost over \$30,000 which means that any internal telemarketing needs to have someone with an understanding of the legal requirements. In addition, it means that companies dialing internally have to monitor all of their sales efforts, maintain an internal DNC list, ensure that all of their scripting is legal, and keep current with all DNC requirements.

When choosing a telemarketing firm it is important to look at their DNC processes and how they maintain their federal compliance with telemarketing. This process can be expensive and may be the reason some centers cost more than others however, a strong compliance program and save clients thousands of dollars in telemarketing fines.



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If dialing in the consumer world it may be wise to investigate the SANS codes that are needed in order to be able to scrub against the do not call list. These codes are based upon area codes, and can cost \$14,000-\$17,000 to cover the entire nation; however, it is possible to get 5 area codes for free.

When dialing the B2B market it is important to maintain an internal Do Not Call list as well for B2B opt outs as well as subscribing to all of the correct Federal requirements such as proper call times and call back times.

### **Final Notes**

Telemarketing has changed drastically in the past couple of years, but the fundamentals are still the same. It is important to make sure you understand the entire telemarketing process when choosing a vendor, and remember that a telemarketing company should be a direct marketing partner not just a vendor. Because of the intimacy a client can a telemarketing service provider will have to have in their relationship, it is important to find a vendor that has the same severity and commitment to the program as you do.

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