
Comparing costs: Chat vs. voice customer service.

Understanding the economics of chat.



Part of the *Best Practices Online Chat* series by global business process outsourcer **TELUS International**.

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Executive Summary

Customer service leaders recognize that live chat is an important channel for providing superior customer experience. However, they delay investing in chat because they're unclear of the financial benefit compared to a traditional voice channel. Our research identifies the key areas of savings and benefits when chat is implemented. We assessed ongoing costs related to labor, hiring, training, program management and technology. Our data was collected through operations research and from interviews with contact center managers with expertise in chat and voice channels.

Our findings indicate that there are three areas of hard and soft benefits to chat. They are:

1. **Concurrency reduces labor costs.** Live chat requires fewer agents than voice-based service to handle the same volume of contacts because chat agents can handle multiple customer interactions at the same time.
2. **Chat technology costs less.** Although it's difficult to make a direct comparison of chat and voice technology costs due to the many configurations, chat platforms are usually cloud-based and less expensive. Voice-based infrastructure is typically more complicated and deployed on premise, which requires a significant upfront investment and ongoing maintenance. As more companies move to cloud-based infrastructure, traditional premise-based phone systems will move to the cloud too, which will affect costs, responsibilities, and risks of ownership.
3. **Chat provides soft benefits.** Chat allows customers to rapidly interact with knowledgeable representatives of a brand. The net result is higher satisfaction as more customers seek resolution to their questions online. Companies often realize higher revenue with sales chat, and "stickier" websites as customers are redirected to site information through chat.

Throughout this paper, we provide detailed analysis of chat and voice-based customer service to help organizations evaluate the cost drivers for these channels. By dissecting individual cost elements, we were able to detect nuances, such as differences in pay for bilingual agents in different countries. Companies can use this nuanced information to assess internal cost drivers for these channels and build business cases for chat implementation.

Related Research

Visit telusinternational.com for more chat best practices and case studies, including:

- Boosting Chat Sales over \$1.2 Billion – *Case Study, global tech company*
- Reducing Customer Effort in the Chat Channel – *Chat verbatim analysis of industry leaders*
- 10 Grammar Rules for Chat Agents – *What every Chat agent needs to know for clear communications*
- Chat vs. Voice Cost Comparisons – *Understanding the Economics of Chat*

Adoption of live chat

Live chat has reached critical mass as more consumers turn to the Internet to resolve their issues before picking up the phone. Chat offers customers a quick, low-effort way to interact with a brand for sales, customer care and technical support. Younger demographic groups naturally gravitate to the rapid fire nature of chat, while older demographic groups show a preference for the channel for less complex interactions with companies. Overall, consumers like chat for a number of reasons, including:

- **It's easy to use.** Technology has evolved such that the user interface is intuitive and the infrastructure is reliable.
- **You can multi-task.** Consumers can initiate a chat session, pose questions, and then multi-task while agents research answers and respond.
- **It's immediate.** Unlike email where responses can take 24 hours, chat is immediate.
- **You don't have to talk.** Chat interactions are based solely on the written word, which means consumers can resolve issues at work or other places without picking up the phone.

Some companies are realizing value, while others are still evaluating

Companies that see the best financial return with live chat are able to increase the overall productivity of the contact center by having chat agents handle more than one chat conversation at a time. Concurrency, as it's called in the industry, means that the same volume of contacts can be handled by fewer chat agents than by phone agents. Thus, staffing is lower for a chat channel, which reduces operating costs.

Although chat is an attractive prospect, many companies find that customer issues are too complex for agents to juggle multiple conversations and meet customer satisfaction goals. This is a key tradeoff to consider when building a business case for implementing live chat. In other words, what's the acceptable tradeoff between cost savings and customer satisfaction that a company is willing to make?

Some of the rewards for implementing chat outside of costs savings include:

- **First contact resolution is higher for chat than email.** Although email is an important contact channel especially after business hours when voice and chat agents aren't available, email often requires several exchanges to resolve an issue that can be handled in one voice or chat session.
- **Customer satisfaction scores are often higher over other channels.** Companies have reported that scores for chat were consistently higher over voice and email scores.
- **Customers stay engaged with self-service.** Chat agents can provide hyperlinks to information found in company-branded community forums and web pages, which teaches the customer where to find additional information in the future.

Excerpt from TELUS International webinar: [5 Proven Strategies to Drive ROI for Chat](#).

"One of the key values of chat is the scalability due to concurrency. The ability for an agent to multitask in the chat space is very different from the voice world and changes the way we think about capacity and efficiency. It's also much easier to measure customer experience with chat through exit surveys.

I also find it easier to coach our agents as the transcript-based conversations are more straightforward to review. In the time it takes to listen to a full 20-minute phone conversation, you would be able to read several transcripts. From a cost perspective, AHT on voice is comparable to chat. If an agent delivers 2 concurrent chats, your transaction costs are reduced by X. For 3 concurrent sessions, Y." [Learn More.](#)

Comparing the cost drivers between chat & voice

Comparing the costs between voice and chat is difficult, because the two channels are measured against different KPIs. We will discuss the main drivers that translate to different costs, but it's important to keep sight of the qualitative benefits (outlined above) when providing your customers with different customer service options.

We have divided the main cost drivers into the following areas:

- Labor-related
- Hiring & training
- Program management
- Technology

We assume that this comparison is for voice and chat agents working at the same site, whether it's onshore or offshore. That means that both channels will incur the same facility costs for utilities, commercial leasing and office improvements. We also assume furniture costs are the same for voice and chat agents, since they all require a desk, chair and other office furniture.

Labor-related

Comparatively, labor costs for live chat reap greater efficiency benefits because agents can handle multiple chats at once.

Cost drivers	Chat vs. voice
Agent rate per hour (\$)	No Difference. Labor rates are typically the same for chat and voice agents at the same location with similar technical skills. However, there are significant differences in wages based on location. On average, U.S. customer care and technical support agents can earn over 5x the wage of agents with similar skills in the Philippines. Wages can also differ for bilingual speakers, such as agents in Central America who speak English and Spanish. In some locations, such as Central America, chat agents are paid more than voice agents with the same technical skills because of their communication skills.
Agent utilization rate (%)	No Difference. Agents typically have similar utilization rates, which can be calculated for period of time by summing the total (Talk or Chat Time + Hold Time + Wrap Time + Available Time) / Paid Hours. Even though utilization can be the same for the two channels, chat agents can handle a greater number of contacts due to concurrency and are therefore more productive or have a higher throughput. The key assumption here is that both the voice and chat agents are spending similar amount of time actively working with customers per hour.
Concurrent sessions	Voice = 1 session/agent, Chat = 1-6 sessions/agent. Chat platforms allow agents to switch between multiple sessions occurring at the same time, which means that more contacts can be handled via chat than voice. Supervisors can set the number of concurrent sessions an agent can handle based on the individual's abilities, tenure and complexity of customer questions. Many systems allow up to 10 concurrent sessions per chat agent. For moderately complex issues, a safe assumption is an average of 2.5 – 3 concurrent sessions for a floor that has agents with a range of tenures. This also assumes a well-balanced tradeoff between cost and customer satisfaction.

Average handle time (min)	<p>Dependent on Customer Service Environment. Although the actual back and forth interactions for chat tend to be rapid, the handle time for a chat session can be the same as for a phone call. This may seem counterintuitive, but customers often multi-task during chat sessions, which results in delays between customer questions and agent responses. Customers and agents can also take more time typing their issues/responses versus describing them verbally. On the flip side, chat handle time can be shorter than voice if a company doesn't allow concurrency in order to provide premium customer service. In this case, agents are able to focus on one session resulting in lower handle time.</p> <p>Overall, handle time is relative to the nature of the call or chat session and to the value a company gives to customer experience. This paper assumes that chat and voice handle time is approximately the same.</p>
Agent to supervisor ratio (%)	<p>No Difference. The agent to supervisor ratio is usually the same between the channels, as long as the scope of work being compared is the same and the only difference is in which channel the customer interaction was received.</p>
Agent benefits	<p>No Difference. Incentives are usually provided to sales agents who achieve sales-related targets (revenue, margin, close rate). If agents are on voice and chat sales queues, then incentives should be the same regardless of channel.</p>
Agent consumables	<p>No Difference. Cost of job aids and other consumables should be the same between channels.</p>

KPI trends in the industry

We are finding more and more clients moving away from using average handle time (AHT) as a main productivity measure. An intense focus on managing AHT causes service quality to deteriorate, because agents rush or drop chats or calls. As a result, AHT is no longer a main KPI in the industry. The trend is for companies to look at chats handled per hour along with quality and satisfaction metrics for the chat channel. For voice, supervisors are tracking the “non-talking” or “non-productive” time along with customer satisfaction and resolve rates. Supervisors for either channel are looking for significant non-productive time, which indicates poor organizational skills, lack of training or need for additional coaching.

Hiring & training

Hiring & training cost components	Chat vs. voice
Hiring: Interview and administrative	<p>No Difference. The process for interviewing, ranking, checking references and selecting an applicant for a job requisition is usually about the same for each channel.</p>
Hiring: Channel-specific testing	<p>Potential Difference. Chat agents need strong typing skills, reading comprehension and writing skills. They are often tested for these attributes during interviews, which might result in an additional cost. Voice agents should be tested for verbal communications skills. Since the tests are different, the costs should be compared.</p>

Training: New hire	No Difference. Basic new hire training is the same for all agents and may cover topics like customer experience objectives, product information, and corporate policies.
Training: System usability	No Difference. Although the technology is different between the channels, both voice and chat agents are trained on the tools needed for the job. This training usually takes the same amount of time.
Training: Channel-specific	No Difference. Overall, the cost of training should be the same despite the nuances in drills between the two channels. Additional costs would apply if companies develop incremental channel-specific training, materials, scripts, canned responses and training programs/materials. Both channels benefit from relevant training on corporate voice and tone, and use of appropriate written/spoken grammar.

Program management

Cost drivers	Chat vs. voice
Workforce management (WFM)	No Difference. Sophisticated WFM programs can be used for forecasting and scheduling agents regardless of channel.
Reporting and business intelligence (BI)	No Difference. A separate BI tool is typically used to analyze data imported from chat and voice systems. The cost of analysis would not be due to the difference in channels, but rather the depth of analytics that a company would like to see per channel.
Quality management	No Difference. Usually similar processes are followed for maintaining quality by assessing transactions that lead to agent coaching. QA managers can often read chat transcripts more quickly than listening to recorded calls. Since they can read more transcripts in a given period, they will have a better picture of performance for coaching purposes.

Technology

Assessing technology costs for live chat versus voice is dependent on several internal corporate variables, especially the type of network infrastructure. In this section, we identify the two main areas of technology costs that each organization should evaluate as part of the decision to implement live chat: technology infrastructure at the department level, and technology implementation at the agent level.

Technology infrastructure at the department level

One standard technology configuration does not exist for chat and voice channels. Vendors still tend to segment their offerings in terms of small, medium and large businesses. Increasingly, however, distinctions are emerging between on premise vs. cloud-based solutions, and on unique features designed for specific vertical markets.

In general, companies see cost savings with chat because chat platforms are cloud-based and require only subscription fees. Telephony infrastructure has traditionally been on premise, which requires a significant upfront investment and ongoing maintenance. However, even call center solutions are migrating to the cloud and companies are figuring out how to rationalize this new technology with their legacy systems.

Another consideration for companies exploring their options for technology infrastructure is whether they want to integrate multiple full-featured point solutions or provision one multi-channel platform that supports voice, email, chat and social media channels. The trend among technology vendors is to converge customer service channels on one platform with the promise of seamless interactions as customers bounce among channels. Of course, these platforms are at various levels of integration, and they have to logically deploy within existing technology investments.

Technology at the agent level

Technology costs at the agent level remain basically the same between a chat and voice agent. Both need a computer and the appropriate software. Some companies provide dual monitors to chat agents, but it's not required. Chat agents don't need a phone or a headset, which will slightly lower the technology cost at the agent level. If chat reps need to log in to the automatic call distributor (ACD) for workforce management purposes, they can use a softphone.

Conclusion

This research answers ongoing questions about the cost differences between chat and voice channels. We have analyzed the main cost drivers to help organizations understand important factors to consider. Our key finding is that the cost savings for chat comes from the rate of concurrency of chat sessions. However, it's important to note that as concurrency increases, customer satisfaction usually degrades. Some companies find that the customer issues are so complex they can't support concurrency at all. Technology costs for chat versus voice are most likely lower, but it's important to analyze these costs on a case-by-case basis. Ultimately, the savings are dependent on the service environment and the company goals for cost and customer experience.

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