

October 22, 2007

MANAGING

THEORY & PRACTICE | By Erin White

Call Centers in Small Towns Can Face Big Problems

To Deal With Attrition, 1-800-Flowers.com Changed Its Approach

A few years after 1-800-Flowers.com Inc. opened call centers in two small Southwestern towns, it ran into a big problem: High attrition combined with the small populations meant the offices were running out of people to hire.

"It felt like we had employed everyone in town," says Denise Thompson, a Flowers human-resource executive.

The shortage prompted Flowers to overhaul its approach to staffing. Executives increased efforts to retain existing agents, and expanded their network of home-based agents to reduce reliance on local labor markets.

It is a cautionary tale for the call-center industry. Over the past decade, companies have sought to lower costs by sending call-center jobs overseas to places such as India. After customer complaints of poor service, some companies sought alternatives closer to home, particularly in small cities with low wages and little competition for workers.

But as Flowers discovered, that strategy doesn't always pan out. The conditions that attracted one company often attract others, pushing



Budding Solution?

1-800-Flowers has had trouble staffing its call centers in small towns such as Ardmore, Okla., above. Here's how the company tries to cut down on high turnover:

- Increase training to bolster managers' people skills
- Adjust work schedules, eliminating seven-day workweeks
- Solicit employee concerns through surveys
- Expand its network of home-based call-center agents

wages higher and triggering turnover.

In a small city, "you're going to burn through that in a couple years—just about everybody who could work there has worked there, and has moved on," says Tim Houline, chief executive of Working Solutions in Plano,

Texas, which provides companies with home-based call agents. He says the small-town labor shortage is prompting some companies to move call centers back to big cities despite higher wages, or to use home-based agents.

Call-center workers often quit because the work is stressful and the pay is low—\$8 to \$14 an hour in many cases. Agents must field calls from angry customers while being monitored. Turnover—the annual rate at which workers quit—at call centers can reach 100%, consultants say. By contrast, the national average for all employers is about 10%, says Michael Tindall, a director at the Saratoga human-resource unit of PricewaterhouseCoopers.

Flowers opened call centers in Ardmore, Okla., in 2000 and in Alamogordo, N.M., in 2001. Executives liked the areas' modest wages and supply of workers who had completed two years of college. Scouts had visited retailers in the towns to gauge the friendliness of service workers.

Still, both centers were plagued by high turnover. The local economies grew, providing workers with other options such as warehouse, mining and construction jobs, according to Shibu Joseph, a former Flowers manager who studied turnover at the centers for a dissertation. "People had other avenues for a job that is not as stressful," Mr. Joseph says.

For the year ending June 30, 2003,

attrition among agents in Alamogordo was 113%; at Ardmore, 71%. "People would try the job on and it wasn't to their liking and would leave," says Ms. Thompson at Flowers. Managers had trouble hiring enough agents for peak holiday times, when staffing needs rose to 500 or 600 from 300 people per center.

Flowers executives realized they had to change their staffing model. They raised wages, though a spokesman declines to divulge details. They instructed managers to focus on retaining workers. When workers said they didn't like working seven straight days during peak times, managers agreed not to schedule agents for more than six consecutive days.

Flowers also bolstered supervisor training. Tina Bayless, site manager for Ardmore, says she recently attended a course that recommended giving workers specific feedback—such as acknowledging a sales increase—rather than general praise. "When they feel like you're paying attention to the details of [their] performance, it makes them feel better, instead of just saying, 'Oh, good job today,'" Ms. Bayless says. She relayed the lesson to her managers.

Flowers also expanded its pool of home-based agents around the U.S. to about 500, from 72 about a year ago, Ms. Thompson says. Tapping those agents during peak times eases de-

mands at call centers. To reduce isolation and stress among the home agents, Flowers created Internet chat rooms where they can seek support and advice.

For the year ending June 30, 2006, turnover at Alamogordo fell to 52%. But it rose at Ardmore, to 81%. Flowers declined to provide current turnover figures, but says Ardmore has improved recently and overall its efforts "seem to be working."

The chat room helped Ali Watt, a Long Island, N.Y., mother of four who works as a home-based agent for Flowers. Last year, she heard from a frustrated caller whose funeral-arrangement order hadn't arrived on time. "I was panicked," she says. She posted a message in the chat room. A coach helped her cancel the first order, and offer a discount on another.

Earlier this year, she was promoted to be a chat room coach herself, helping other agents navigate tricky issues. She works 25 to 30 hours per week and says the job is "working beautifully."

In a small city, "you're going to burn through that in a couple years—just about everybody who could work there has worked there, and has moved on," says Tim Houline, chief executive of Working Solutions in Plano,

Texas, which provides companies with home-based call agents. He says the small-town labor shortage is prompting some companies to move call centers back to big cities despite higher wages, or to use home-based agents.

