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Can Call Center Consolidation Help the Burgeoning Hospitality Industry?

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The bi-annual hotel survey conducted by the Hogg Robinson Group (HRG) reveals that the international hotel industry has shown signs of recovery in the first half of 2010. The survey found that a majority of the cities surveyed, although not yet in positive growth, certainly recorded an improvement in performance. While the industry has begun to show signs of recovery, the need for disciplined cost management persists.

As we emerge from the recession, the corporate landscape of all sectors has been undeniably altered. This holds true for the hospitality industry as well. With sinking occupancies during the downturn, RevPARs (Revenue Per Available Room) and profits, hoteliers who had incurred large debts were forced into selling. Thus, the hotel industry has witnessed a spate of mergers and acquisitions post-recession. Mid-August, 2010, saw Sunstone Hotel Investors acquiring the Royal Palm, located in Miami Beach, Florida. According to Reuters, CDL Hospitality Trust from Singapore is on the lookout for acquisitions in India, Vietnam and Japan, having set aside over USD 400 million for the same. Reuters also confirmed that Accor, Europe's largest hotelier had set aside a war chest of over USD 130 million per year to buy hotels that were forced to sell as a result of the economic downturn.

Fragmented Call Centers and the Need for Consolidation

While major hotel chains continue to grow their global footprint, along with the rooms and facilities, they also acquire fragmented reservation centers. Though many believe that 'localization' of call centers provides benefits of knowing the native language and culture, the fact is that it translates into a significant cost increase and also affects service delivery. Increased infrastructure cost, delays in disaster recovery, longer turnaround times to deploy new technologies and processes, lack of standardization, limited labor pools, and inconsistency in service delivery and customer experience are some of the issues that hoteliers can face with decentralized call centers.

Further adding to the challenge of consistency in hospitality call center operations, is the complexity associated with managing diverse ownership structures of their hotels. REITs (Real Estate Investment Trusts), franchisees, management companies and owned properties often have differing views and goals of how contact center operations should be conducted. However, consolidation and centralization of fragmented centers remains a key solution that can provide economies-of-scale and cost reduction while improving performance.

Benefits of Call Center Consolidation

Cost Reduction

Centralization of activities in a call center means a significant reduction in real estate cost as investments are in one location instead of many. Next, centralized operations mean fewer managers, supervisors, reporting analysts and workforce management analysts. The reduced overhead enables call centers to bolster the front-line, customer-facing agents. Consolidation invariably means lower salary and costs per employee at the central site as compared to the average spend for all the fragmented sites. There is also reduction in equipment costs with fewer telephony systems, computing and networking devices. This means a drop in the cost of system integration. Larger platforms are easier and cheaper to integrate into customer relationship management applications, workforce management applications, networking and other technologies.

Decreased Redundancy

Consolidation eliminates redundancy. With fragmented contact centers, there are several departments that are designing and working on the same function, such as payroll. A consolidated accounting department translates into creating a single payroll system across the organization.

Increased Staff Efficiency
Along with operational efficiency (consolidating all employees onto a single e-mail platform, or chat), hotels can benefit from centralized training and quality assurance through consolidation. For example, one centralized QA and training of staff can be deployed instead of separate groups at every site. A large site also enables a higher number of agents to report to one supervisor when compared to a smaller site.

Simplified Technology Implementation
A consolidated call center means that it is easier to test and maintain new technologies and processes. The center can have dedicated IT staff, which is not always possible in a fragmented set-up.

Bulk Discounts
Equipment costs are lower for a consolidated center. Telecom savings are possible as most carriers offer reduced rates for larger volumes. Similarly, there are also reductions in hardware, software and maintenance. Support costs drop as technical resources are needed at only one site.

Spread Organizational Culture
An organization's culture is a by-product of its people. Increasing levels of diversity in fragmented centers pose challenges of effectively permeating the desired single culture throughout the organization. Consolidation, on the other hand, ensures that the identity of the organization is consistent through all employee levels.

Brand Representation
Effective representation of the brand is as important as the culture. And, few can dispute the close relationship between customer service and brand perception. A consolidated call center can handle customer service more effectively and thus, succeed in brand positioning.

Marketing Effectiveness
Hotel companies constantly launch campaigns and programs to drive increased occupancy, retain customers and earn new ones. Communication of the numerous marketing initiatives is problematic in a fragmented environment, and certainly requires more effort. Consolidation enables quicker execution on the targets of the campaigns thus increasing the effectiveness and ROI.

Models for Call Center Consolidation

Typically multinational corporations have grown on a country-to-country basis. The same goes for the hospitality industry, where companies have expanded organically or inorganically, and this has led to call centers being set up in multiple geographies. Clearly, consolidation is a critical requirement and listed below are the major models that can be considered.

Geographical Consolidation
In this model, all calls are routed to one central location – Pan European, Pan American or Pan Asian. This central location is equipped to handle calls in all native languages increasing efficiency.

Regional Hubs
This model is along the lines of the previous one, only that it is on a much smaller scale. For instance, setting up a Nordic Center that could handle all the Scandinavian countries.

Major and Minor Markets
In this model, larger countries such as U.K., Germany and France have their own centers. One call center serves the smaller countries that have not yet reached critical mass.

Country Centers
Depending on the size of the operations of the company, different call centers are retained in every country. Networking techniques enable the sites to be linked together to form a larger pool of agents.

Follow-the-Sun
In this model, consolidation is on a global basis wherein worldwide centers are selected. Typically, three main locations like Europe, America and Asia, house these centers. Being in different time zones, these centers are able to provide round-the-clock service by routing calls to the appropriate location.

There is certainly a compelling case for consolidation of call centers in the hospitality industry. It is sure to achieve significant operational improvements. Economies-of-scale will improve both cost and service performance, and this will provide the much-needed competitive advantage in the current economic scenario. Today, with a variety of deployment models and efficient service provider offerings, consolidation of call centers is definitely a practical solution for hospitality organizations.

To learn more, please write to us at **info@wns.com**