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Martin Toha from VOIP.com



Adrian Bye: I'm here with Martin Toha who is the owner of voip.com, and Martin is going to talk with us about two things that he knows quite a lot about and some more of an information sharing for those that interested. First topic will be around Project Management and how he runs his team of 40 developers and various team members virtually. He's doing a pretty extreme case of it and seems to be working pretty well and then the second is on call centers and how Martin works with those. So, Martin thanks for joining us today.

Martin Toha: Thank you Adrian. Good to be here.

Adrian Bye: So, can you tell us like maybe in a very quick summary about what the company you're working on does and then we can kind of go into the how, then you're using project

management to support that.

Martin Toha: Sure. Well, we're primarily in the consumer recurring billing business model. Right now, we run a small Voice over IP (voip.com) home phone service company and we also have a what's known in the industry as a club membership company. We provide membership products to consumers through an up-sell channel, and so we basically have two main directions. They're interwoven products, but they both operate in the same business model per se, recurring billing and monthly fees.

Adrian Bye: As you develop business models you always look for recurring billing? Is that main model?

Martin Toha: Right now we're doing a lot of recurring billing. We do recurring billing across different sales channels, but we originally came from software developments so our main core competency as a team is really software development, database design, programming. Now we basically, over the past two or three years kind of migrated from a widget provider to a widget provider and a service as well by picking up a few domain names and those have kind of pushed us into these markets.

Adrian Bye: So, you actually went into these markets because of the domain name?

Martin Toha: Yes. Originally, what happened was with VoIP our quick story there was about a year and a half ago or two years ago, I picked up a switch. I bought a telephony switch as an investment. I was going to lease it back to a friend of mine that owns a hosting company and a data center and collocation facility here in Boca Raton. He said, "Buy this switch and I'll lease it from you." I said, "Okay, well, that's great." I just set it up. So, we had done that. We set the whole thing up in New York and plugged it all in, got it running and of course we're sitting here, a bunch of idle programmers, finishing off our last project and kind of just in maintenance mode on that last software build out, which was a order processing platform for e-commerce companies. We said, well, we've got a switch and we got kind of the know-how of how this is all set up and maybe we'd be interested in building a billing system of sorts for the VoIP industry.

So, we started to dabble in it, and we said we can probably get into the home phone service game because that's where some volume is. If all these companies are signing up a couple of million committed customers every quarter at that point, we're just starting to go from the two million VoIP users to eight million VoIP users during that year, and so I said maybe we'll try it. Then I ran across the domain voip.com and was able to pick that up. Once we were able to pick that up, that was March of last year we had decided okay we all got the pieces here and we got a domain name that's driving a couple of hundred thousand type-in traffic. You need type-in traffic users a month. We need to do everything we need to do to make this work. We need to do the SEO, the pay-per-click and all the organic marketing that we can come up with and build an efficient model like we know how. We're typically the company that gets brought into make a business that's running more efficient, pull more people out of the equation, remove more steps in a process and charge for that.

So, that's been typically been our angle for e-commerce companies. We got in the VoIP space to do that and thought it would be fairly simple, but it took about a year to realize it was probably one of the most complicated process, so many different intense processes, involved in selling phone service that really it just took us by surprise as a team but we were able to pull through.



Adrian Bye: Was the hard part selling it or was the hard part running the service?

Martin Toha: The hard part the first year was getting all of the plates spinning at the same time. There's so many moving parts because you're dealing with phone companies that are a hundred years old; you're dealing with consumers that demand instant results for no money. They want to pay for things like porting their number in which often requires manual intervention. But they don't want to pay for it. So, if you have a human being in the process you can't make money.

So, it's one of those impossible equations where you either lose money providing the service, which we all can SunRocket went out of business and they were funded with \$80 million, and we have followed their same customer sign-up projectile over the first eighteen months of our operation. They've done the same thing with their \$80 million that they blew; we've done organically with just our own money and our own time and efforts. So, we've done what they did with \$80 million, and we did it with nothing basically.

It's just a lot of details. Customer signs up, wants to port in a number, wants to cancel the other line,

wants to add a second line, wants to call international, calls you back up again and says I need to cancel my first line and you charge me too much for this international call, it didn't connect. You need to do that all automatically and without cost because if you have cost for that call, you will go out of business because there is only a few dollars margin in each customer. Volume is the game, and you can't throw people at the problem because the more people you throw at the problem it doesn't scale. You have to keep adding more and more people and your cost go up and you won't make any money.

So, that's the impossible equation of the home phone service. You're dealing with customers that aren't happy with phone companies who typically do a pretty good job, want to pay half the price and get twice as much and aren't happy with the landline service they get.

Now, so you have to provide better service, more features for less money and you have to make money at the same time, which is a very hard equation to get into. Had I known that to begin with I probably would have said this is the worst business in the world. Now I know it is one of the worst businesses in the world from that perspective. The good side of the business is there's an available volume, you can sign up three, four, five million users if you want, and you'd be a drop in a bucket for the world.

Adrian Bye: This company, is it your company? Are you a sole owner?

Martin Toha: Yes, I'm the owner. I'm the sole owner of the company.

Adrian Bye: I know you wanted to talk about project management so why don't we move on to that. Now, what's interesting in what you're doing is that you've got a team of 40 people, including a lot of software developers, and you're running the whole thing virtually. You've taken, I think, a pretty interesting thing you mentioned to me earlier is that you have a place in France where you like to go spend time and while you were over there your partner had her baby. You actually stayed over there for four or five months and didn't need to come back to the US to be with the rest of the team because you have already been set up virtually.

Martin Toha: Yes. One of the benefits that I have been able to guarantee myself and all the people that work with us is that we can work remotely, that's one of the minimum requirements of this process that we set up for anyone. So, if someone comes to work for us we need make sure they have two forms of Internet connectivity, a laptop computer, possibly even a wireless set up for their cellular card and so on, and everything we do has to revolve around the concept that we don't have a need or a use for a physical location. So, that's a big piece of overhead that's removed from our equation.

We, like you said, employ over 10 programmers, which a lot of people know that's fairly simple. We are heavily using development to remove people from business processes; that's our real core competency. We also have a work-from-home call center set up. Just to give you some round numbers on that, we used to outsource the call center to a offshore center actually in the Dominican Republic, not far from you or I guess far from you. I'm not familiar with the areas over there. Our cost per hour there was \$12 an hour but at the end of the day the cost per minute was about \$0.80 a minute. So it would be about you pay a customer service or sales line here in the US, if you went with a major call center, Convergys or West or something like that.

We were able to build the entire machine and wheel, so to speak, and bring it in-house. Have people

sign up online to become an independent contractor with us. They actually interview through an automated voice interview process that we built. We have someone that listens to that recorded interview every morning and picks the people that they want to hire from that list. They give them the materials. They have to self-study, and then they go through a testing process. Once they go through the testing process, we put them on the phone, and we require them to go through weekly scheduled trainings.

We basically then, once they're logged in, we pay them per minute. We pay them about anywhere between \$0.15 and \$0.21 per minute for their talk time, and they can schedule to work whenever they want, so they're independent contractors. We don't have to pay insurance or taxes. They love it because they can work whatever hours they want and they get paid \$200 or \$500 a week, depending on how many calls they take. We watch very closely their first call resolution ratios, their average handle times, their quality score and arrive at a score for every user; it's very similar to a live ops set-up. We built it in-house, and we built it from the ground up.

Now, we're finally benefiting from that cost efficiency. SunRocket, which was one of the most efficient models I've seen for customer service, had about a \$2.50 for customer per month cost for customer service. Ours is under a dollar for the same call quality and same solutions. SunRocket was using in many cases like Vonage, Philippines call centers and Dominican Republic and India call centers, and all our reps are based in the US. So, we have that plus, and we are under half their cost. So, there's a lot of things that took some investment initially and some pain, and I can go through the process of how we set that all up and how painful it was, but it basically has finally started to pay off now.

Adrian Bye: That may be a business there in itself.

Martin Toha: Yes, I mean, what was funny was we originally had a call center in the Dominican Republic, and we basically forwarded all our calls to them if you can imagine that. So, we didn't have very many calls, and we just literally forwarded our line to them, and they took care of the calls.

So, we were basically getting reports from them later in the week or a week later based on certain things and kind of taking their word for what was working and what wasn't working if we needed to add more people or subtract people and so on. Actually, never subtract the team. It would be to constantly adding, and what our service level is and in the call center business, the service level is how long your average person has to wait on hold. So, you want to watch your service level ratios very carefully, and of course you have your other three main metrics which a lot of our developers have taught me which are your first call resolution, which is the ratio of calls they get solved and don't call back within a certain period of time. So, you can take all your caller IDs in the database table very simply and say okay, we have a thousand calls today, what percentage of that people called back in the next 72 hours, and you want to make sure that ratio is as low as possible.

Then you have your average handle time, which is the amount of time that the rep spent on the phone with the person on average, and the two of those figures kind off set each other. So, you want a very good first call resolution, but you don't want a very high average handle time because obviously I can hang up on everybody and I can have an average handle time of one second but a lot of people are going to call back. I can spend three hours on the phone with each person and literally, nobody is going to call back but then I have to spend a fortune to solve problems. So, between the two metrics you can

come up with a cost efficiency ratio per rep, per queue. So you can determine these reps are costing me this much money because 30% of their calls call back but this one over here is 60% call back ratio, so you can come up with a metric.

The third metrics that is of relevance is your quality score, which is when a human being would listen to a call and go through a list of 20 known things. Was the call answered properly, did the problem get answered, was the rep courteous to the customer, was there any background noise in the call and things like that, and you just go through in a very cold process listen to the call and come up with a score basically. That score, those three things, the first call resolution, average handle time and quality score create a report card for your rep, and you can know immediately, fairly quickly, how useful your rep is. You can say this rep is awesome, 80% first call resolution, 7-minute average handle time, or six, whatever your goals are, and the quality score is 80%, great. Follow that model, take what their doing and apply to other members.



So, we needed this system; we had no system that did that. So, a couple of people that worked with us, a couple of programmers that worked for us also came from the call center industry and they said this is what we need and this is going to cost probably half a million dollars if we go to an Avaya or a million dollars if we go to an Avaya. I shopped around. Found our softswitch provider, the company... The switch that I bought, actually had a plug-in for call center and it was about a \$100,000. So, I said let me do a 30-day trial, they happen to have that. I said \$100,000 is worth

every penny if it can do all these things. Bought it, and it didn't do anything that we needed.

So at the end of the day we of course were looking at each other and said we're going to build it. So, we started with the naive notion that we were going to build this solution and use it to manage outsourced call centers. So, we were going to build a software that in real time watched every call, tracked every call and created this real time system where we can see effectively what everything was going on with each of our businesses because we have two main business segments. One is Profinity and one is voip.com that actually receives customer service calls, and those two main businesses, Profinity more than VoIP actually, needs to maintain a certain level of service because it's dealing with a lot of billing, and you need to have a certain guarantee level service that you can actually control very effectively.

So, we basically said let's just do it. So, we built the database fairly quickly. First completed the system I would say in about a 30-day time period, from zero to 60 to 70% of what we have today. Built it exactly how we wanted it, so we have dashboards where we can see in real time, what reps are logged in, how

long have they been logged in for, what their current status is, then start to drill down and find out what their past history has been and so on and so forth. Put that in place using our existing call center.

The funny thing is the second we put that in place where we can actually see in real time what reps were doing, our efficiency reports that came from our outsource call centers went up 80%. So, soon as the rep and the call center knew that we knew what they were doing, the world changed and went from horrible to bad based on our current metrics that we look at today. We were able to quickly see how long people were in queue for and reps that were logged in sitting there not taking calls and so on and so forth and were able to really come back and say, wow, we're paying a lot of money for people to not be effective. So, we said you know what, let's become a call center.

So, that was the month after, and we said how are we going to get reps? So we said that's fairly simple, we don't want to spend any money because that's a waste of money to advertise, but how do we get reps? So we said okay, well, let's run a couple of Craigslist ads. So, we ran some Craigslist ads because that's worked for our sales department in the past, and we put up a couple of ads in different cities where we knew call centers were, 10,000 seat call centers and so on. We settled up, we're willing to pay \$0.20 a talk minute, which if you talk a good 50% of an hour, it could be \$10.00 an hour. You can work from home; you can make \$10.00 an hour, and you're currently working at an office, and you're making \$7.00 an hour, and you have to pay for clothes, gas, wake up every morning and deal with everybody in person; this is a little bit of a different scenario and basically.

Adrian Bye: What do they actually make per hour at the end of the day?

Martin Toha: Well, a lot of it depends on when they work and how much they work because different queues are working a couple different ways. We have certain people that we depend on like in technical support; we have to depend on certain people to be answering a hundred percent of their calls. Sometimes we over staff on customer service or billing because if we have 3 or 4 people working and one of them is working for us 80% of the time...that's another thing to mention is that there is a whole community of people that work these work at home jobs. They also have other companies they work for and not just us.

So, a lot of them will work for maybe a couple of other people like they'll take calls for us at night for 6 hours, and they'll take calls for other people. To answer to your question, that's what I was kind of getting to, if person is working at \$0.20-0.22 a minute and there's 60 minutes in an hour, what is that \$13.00 an hour but they're not going to work a full hour so they're going to work probably 45 to 65% of the hour. So they can make about \$8 to 10 an hour working from home. That's what a call center rep would and they're coming from a call center where they're getting paid \$6.50 an hour, so it's a raise of a few bucks an hour; we're dealing with this sort of person.

So, when you compare that to your outsourced call center, even the most inexpensive outsource call center in the US is \$29 an hour. The next level down would be your India call center and that will go for typically \$15-18 maybe \$20 an hour, then you have your Philippines call center that go from \$12-15 an hour, then you have your smaller call centers that are like in the islands and things like that, they go for \$10-12 an hour. So, to give you an idea, what you would typically pay \$29 an hour for about what is the equivalent to about \$8-9 an hour, fully loaded with managers and everything because if you staff one hour at a call center, you'd have to pay for that hour whether you have calls or not. It's not per talk

hour it's per hour, per staff hour. So, if you only talk for 40% of that hour, if your agent utilization ration is only 40% then your real cost is \$30 divided by 40% which is much a larger number, so your talk time could be \$1.50 a minute easily.

So, we basically decided that because of our businesses that we were in, we needed to look at customer service as a part of our business that we need to remove of all the cost we could from and make it most efficient as possible which is what I was about to get into on the hiring, which I always think is pretty cool. Someone came to us and said this is the way to do it. You basically run an ad in Craigslist with a phone number, with a local number in whatever city you're doing and obviously we're a VoIP company so we get local numbers anywhere, and the person will call in. The person calls in and it says, "Hey, this is voip.com and guess what you can start working in a few days. All you have to do is go through this automated interview process. Press 1 to continue." They press 1 and immediately after that we start asking them questions. What's your name, in an all recorded process. What's your past work experience, what would you do in this scenario? Imagine hearing this call what would you say after this? We basically do a 5 to 25-minute recording of all the things that you'd want.

Now if you can imagine 50 people a day were applying so you would need, if you were a normal company doing interviews, you'd need a lot of people to sit and call these people back, interview them over the phone and come up with some ratio of cost to hire a person. When you record these interviews, which I always thought was the coolest thing that we did, you can have a person go through 25 to 50 recordings in 20 minutes because very quickly you can listen to someone over the phone talk and know if you like them or not very quickly. You can tell almost immediately if they care about the customer, if they're going to be the type of person that you want to have on your team and so on.

You basically have it all there. You have the whole recording and you had nobody wasting time to get that material. You paid nothing to get it as well because we ran ads in Craigslist, so we can hire anywhere we want and get as many people as we want. We ran a Monster ad and we got about a thousand recordings. For \$500, we got about a thousand if I remember correctly, it's been a few months I apologize, but it was over several hundreds but it was like around a thousand recorded interviews. Craigslist would produce maybe 5 to 10 recorded interviews a day for free.

So, it depends on how bad you need a lot of people, and then you can go through that and basically hire the top 20 to 30% of the people you want. Then you need to make sure you bring them into a good, stable, solid process, which was we absolutely did not have when we started. We thought, hey, these people are kind of smart. We know VoIP so therefore everybody must know what VoIP is, and let's just throw them on the phone and see what happens and in a week they'll figure out all their problems.

What actually is the case is the opposite. What happens is, is that you want someone, when you hire for this sort of industry or any similar business, that knows nothing and is willing to learn and take your way of approaching a problem. So, if you want to hire someone for computer technical support, someone like me would say let's get someone with credentials that knows what a computer is. But actually what you want is you want someone who doesn't have a computer, doesn't know what a computer is and doesn't know anyone that has a computer because what happens is you take that person and you train them for a week on every single possible call that they could possibly get, they'll do and solve your problem the ways you want them to solve your problems. Which is that one piece of information is two months of my life that I will never get back because I was sure that the way to hire was based on

experience. But in fact it's the opposite because people who have experience will tend to solve problems their way no matter what you tell them, and we're dealing with \$8 an hour employees or rather independent contractors, so they're going to go at it their way, so that was a big step. By removing the outsource call centers.

Adrian Bye: How many of these guys do you actually have working for you?

Martin Toha: At one point what happened was that we, and this is why it was kind of an emergency. At one point we had as many as 150 and we were able to ramp from 0 to 150 in three weeks, so now we're at about 20 full-time equivalent or about 50 people, I would say. Maybe between 30 and 50 people at any given week. Get an automatic paycheck from us through our ACH system.

Adrian Bye: I mean these are people that are working for you. They wouldn't even know your name, would they?



Martin Toha: Nope.

Adrian Bye: You have no relationship with them. You just set the systems up in place to manage them. You say they go through your training and stuff. Do they actually have contact with people for their training or is that also..

Martin Toha: Oh, yes, absolutely. That kind of gets into what we learned from doing this is that for

every X number of people working from home you need to have a team leader and a team leader can be someone that simply says, "Hey I'm here for you if you need anything. Something's not right, you don't understand something, I'm here for you." It's kind of like that utilization ratio where in theory, out of every 10 reps, you can have one team leader, let's say. A team leader can handle things like payroll mistakes, questions about a call, I don't understand someone telling me something, what does this mean, where do I ask this question, when's the next training?

That one person will remove a lot of your problems because what happens is when we started we hired 150 people and we had 0 team leaders. We had a few managers, and we said this is great, we can really scale this effectively now because not only are we only paying \$0.15 to 0.20 a talk now, we don't have managerial cost. But, actually, what we found was that most of the effectiveness of this sort of person which is unlike the other business model or other business unit we have which is development, which the more management you have in development the less efficient your developer is. This is the opposite. You need good support, and you need to make sure they are happy and supported because if they are happy and supported they will effectively be happy and support you as well. They don't mind being bugged; they don't mind being held up because their entire cycle of project is seven minutes. So they start and stop their whole job in seven minutes if you think about it. While as a developer may need five days to solve a math problem or a query, three hours, or whatever. If you keep interrupting them, you restart the clock each time, so this is one of things where you don't lose a lot of efficiency by having good support.

So, by having connectivity things like Skype, obviously, we use the forum. The public forum is very effective probably one of the things that we learned because we had a lot of reps that said, Well, you know I talked to my team leader, I talked to my manager about a payroll issue. You guys didn't take care of it, and I've been telling him every day, and no one is taking care of it. Now I'm upset, I'm going to stop working or I'm going to threaten you guys or I'm going to do this, I'm going to do that and this is stuff over \$50. Things that you would never think twice about but small little details like that can create problems. So, we created this simple public forum where all the reps can log in and if they can't solve their problem one on one, they can post it up on the forum and other people will watch it. It will be kind of several safety nets in place. Things like automated payroll where the rep can see their call log and how much they're going to get paid, how much they were paid, how much the balance is, agree to the payment before we send it out, things like that and stability, support and all these things put together create an effective call center.

By going through these over the past from July, August and September and by October we've been running fairly effectively. So the first three months were basically build the software, go to hell and back, do the hiring and hire people, run the system effectively, and learn the model. Those three months was basically what it took us to do it. Effectively you have different business units. You have technical support, customer service, billing, sales and things like that and there are many techniques here to do these, but the thing to remember is that we don't have an office so our cost per customer and our cost per call is half of an Indian call center or a Philippines call center, and we're using Americans, only people that are local.

Adrian Bye: How do you compare to LiveOps, which is a company in the States, doing the kind of stuff you're doing, would you...

Martin Toha: LiveOps is excellent. If I knew about LiveOps, and I was able to effectively get going with LiveOps, I'd probably would have tried something like that but in essence, we are running a live ops. In essence, we are running a live ops with our own type of reporting and our own type of solutions and probably in a way where it's almost better for us now. So, we lost 2 or 3 months and of course before that for the first 9 months we went hopping from call center to call center to call center. We tried Canada. We tried India. We tried the Philippines. We tried the Dominican Republic. We even tried Florida, and it was just a whole learning process. We went through all that, so we were kind of like, we're not going to put this in someone else's hands, per se. LiveOps probably would have been a solution for us.

Adrian Bye: Before you go onto that, going through all of those different countries, I was just calling HSBC today and I'm really unimpressed with their support and then naturally I got someone with an accent on the phone. I asked where they're from and they are from the Philippines. The support was very mediocre, and I'm thinking I'm probably going to move banks of the result. What are your experiences with these different countries? How do the calls stack up in all of these different countries both support and for selling stuff?

Martin Toha: We started with Canada for the following reasons. We didn't want to have an accent, and we wanted to save some money so we started with Canada. In Canada, you are looking at \$0.60 to 0.70 per talk minute if you want to do a talk minute ratio. In Canada you have some fairly nice, happy people. You have fairly decent clear accent, and you have people that are near America enough so that if you have a question that you don't understand their empathy is going to say okay because a lot of customer service is not solving problems. It's sounding like you can solve the problem because most problems aren't so...obviously, if the customer can solve the problem himself, he probably would have. So, a lot of it is like not necessarily giving the answer but saying okay I don't know the answer but I'm going to get it for you. That one thing is what you can't find often in offshore call centers.

So, Canada is exactly what I just said, where it's basically near shore, fairly good quality, decent pricing. Not US pricing but decent pricing, in other words, not 10% more like US pricing but it's fairly the similar product. In the US you get \$29 per talk hour or per hour, for staffed hour or about \$0.85 per talk minute. You're looking at lead time of 30 to 60 days set up, which is another decision factor for us is that we were very, very gung-ho, we just jump right into things and try to move quickly and solve problems so we didn't want to wait 30 to 60 days. But basically you're going to have to set up the call center, you're going to have to staff it, you're going to have to pay top dollar but you will get top service. Basically, based on a call center, they will give you what you are paying for. You're going to have to be able to make your business work unfortunately we're in a business where we can't afford to pay 4 times what we're paying now for customer service because that would eat half of our profit. So that wasn't an option for us so we didn't really push on it too hard.

If you go to India, you have of course, the typical Indian accent, which turns off a couple of percentage points to the people out there. They are somewhat of a problem-solving type of community. They will try to solve issues I would say not anywhere near as compatible as the US reps would, but they have some of that. But again, you're not talking about maybe 50. I forget how it works the talk minute, but it's like about \$15 to \$20 per hour for that sort of center.

You have a person that doesn't necessarily understand business as much as just someone locally here

would understand how a business operates or needs of a person or if someone's upset or not, so you kind of lose that. It's hard to explain, but you kind of lose that interaction that would make someone feel comfortable.

The Philippines seems to be where a lot of the people are headed. Philippines is a fairly decent accent, so you don't have a lot of the problems in India where you have people that can't understand English very well. So, you have I'd say, 80% English accent. Not a perfect situation, but far better than anywhere else. You then have some cost savings over India, so your cost per staffed hour may be only about \$12 to \$15.

The problem with the Philippines is it's a double-edged sword. What I found with the Philippines is it's much like what you can imagine your typical Asian situation where you tell them exactly what you want them to say, and they will say exactly that – not anything less and not anything more. So, what you are hearing them saying is exactly what they've been trained to say, which is a double-edged sword. Probably, when you called or often, when you call, you're going to hear a certain accent. Yes, I know it now because I've been doing this for awhile and it's Philippines. A lot of the companies use Philippines now, and the problem with us was that again, money drove the decision, but for the quality, it wasn't that much better than India. But, it was effectively more better. So, if it was between India and Philippines, obviously I'd choose Philippines. But the problem was, is that people go into the call with the attitude of, this guy doesn't understand me and actually during the call, he probably does understand you, but he doesn't portray that. He doesn't explain it in a way that people like your next door neighbor would understand you, even if he was from the Philippines. So, there's a certain locality that is lost there.

That is very effective for billing, "Sir, this is your bill. This is why you got billed this and this is the situation." Now, if you don't like it for billing, I actually personally like it for sales because you don't have to worry about your salesperson here in the US telling them anything they want to hear to get them signed up. They'll tell them exactly what it is that they're allowed to tell them and whatnot, so you kind of have to look at it as, you know what it is going into it and obviously, I'm not an expert. I haven't run a Philippines call center, but I've definitely outsourced there, and I definitely outsource in several other places and currently, I actually outsource some sales to the Philippines, and they work effectively.

Dominican Republic – we outsourced to the Dominican Republic. We have some Spanish bilingual benefit there, so you can speak, you can basically be immediately bilingual. Obviously, all the other call centers are bilingual as well, but most companies we're talking to aren't selling anything in the Philippines or in India. But for us in America, often people will speak Spanish, so you have some percentage benefit there.

The problem with the Dominican Republic that we found is that it is exactly that. It is an island, and anyone that's been to or lived on an island knows an island has its own pace and work ethic, and it's very hard to get someone that wants to move at a certain pace to move at the pace that you want them to. That's one of the things that you really can't train. Over time, it just wears out.

So, we had an issue of low efficiency – a lot of reps not working or kind of thinking they knew better in the Dominican Republic. Again, the cost benefit there was about a couple of dollars less than the

Philippines, so we're talking about \$11 to \$13 an hour per staffed hour in the Dominican Republic.

I've had great experiences in all of the places, and I've had horrible experiences in all of the places and a lot of it has to do with technology. Are you watching what's going on in real time? Do you effectively know what's going on?

When I first started, I was outsourcing like I mentioned, and I had no idea. I would get my feel of whether or not I was doing a good job based on random things I would hear, so if I heard okay, a friend of mine called our call center and the guy was helpful, I think wow, we did great. We have a great call center. Then, I would hear one other person call in, and they'd tell me, "You know, this guy couldn't help me." I would say, "Well maybe, it was because the system was broken," or whatever. So, I would basically base my emotional level of security on these call centers based on random things.

But, once we put the technology in place, and we're able to watch, not just to the call center, but down to the rep. We were able to fire 40% of our reps within a week, and we were able to say, "You guys aren't cutting it," because we knew that if they took a call, three-quarters of the people they talk to would call back.

So, immediately you know that those people aren't going to work out for you and that's mostly a problem on our end. We didn't train them properly. We didn't bring them in properly. But, it's almost the situation where it's too late because it would take us so long to un-train them and retrain them, and try to make and mend the bridge than it is to say, "Go find somewhere where it's more applicable to you," and we got 50 or 100 new applications coming in everyday. So, it wasn't so much of a complication there.

But, back again towards looking at the...

Adrian Bye: Let's say you've got to pick locations – you've got to do a team. You've got to have a call center for customer service and a call center for sales. Based on my conversations with you, would that mean that your customer service you do in the US team, based on this pay per minute system you set up and then, for your sales, would put that in the Philippines?

Martin Toha: There's three business things when you just mentioned that, that I'm thinking of, one is obviously, what is it that you're selling? If you're selling something that's fairly simple – sign up for a Flowbee – what's your credit card number and address, Philippines will be great for that. Most of the calls, however, are going into a US call center anyway through direct response, but the point is that it really matters what you're selling. For example, VoIP is very hard to sell. It's very complicated. Home phone service, as simple as it is, we all use it – it's very, very complicated to sell to someone who doesn't know what it is. So to give that to someone in India to sell to an American is very hard. In fact, it was even the opposite is true. We have a lot of customers from India, and the most effective call centers we have that were selling it were in India. So, a lot of these sales depends on the complexity and the length of call and the sales cycle time. So, if it's a fairly simple thing and they can just read it off and get it done, and it's more of a mechanical thing, then yes, I would say, I would go with your least cost.

The second topic that I'm just thinking of when you just mentioned is cost. Cost is a very important metric. If you need to care about your cost, then there're certain things that force your hand. If you

can't afford to pay a US call center, then you just can't afford it. There're certain things that are the way they are. What a lot of companies do on customer service is they say, "I've already got the customer. I don't care anymore about getting the customer. I've already got them," so customer service is a cost. It's not a commission. It's not a way of bringing in business, so a lot of companies go, "I've got two options here. I've got a quote from company A in the US for \$29 an hour, and I've got a quote from a company in the Philippines for \$19 an hour." Then, they look at those two quotes and someone in the executive team goes, "Well, I'm going to get a raise this year because I just saved the company \$100,000 a month." They don't realize that you're not really effectively building. It depends on your customer base.

Like the first thing you told me is I'm probably going to move my business. That's a very common reaction. American and Western types will say, "You know what, I'm going to take my business elsewhere." The funny thing about that is that's not how all their cultures work. They don't have that reaction and because that's what Americans feel like we have control over, so we're going to use leverage to get what we want. If you have that cost factor, if you have to decide based on cost, you have to think very carefully because if you are looking at Philippines versus the US and your customer-base is recurring, then you have to be very careful on that because you may erode a lot more customers than you thought you would've by saving that extra money. Now, that still may work out in your favor, but you still have to look at that.

So, a lot of it's based on what you're selling. If you're selling a product that you sell one time, like an infomercial and you need customer service on the billing, and you really don't care. You just want the job done so to speak, just looking at that at face value, I would say okay, probably cost-saving would be a good avenue. If you're looking at a recurring billing product where you want to keep your customers and you want to keep them happy, then you want to make sure you get what you need, and you don't look at it as just necessarily a cost.

What we've done is we've effectively built an offshore call center at cost base, but based it in the US and much like LiveOps is doing.

Adrian Bye: Let me ask you a couple of questions from one of my call center clients, and I don't know whether these are questions you can answer. I'll just ask, I've got three questions here and if you can answer them, then please do. Just any insight you have.

The first question is, when I run two shifts on an outbound sales process, the morning shift seems to be get more sales, even though the night shift has more customer contacts. I've heard the reports from other call centers that it is very difficult to get more than one productive shift going in the day, and I've also heard that many successful call centers have decided to only work one shift. How do you feel?

Martin Toha: When I hear that question... I'll just give you a two-minute story here. BellSouth for example, used to be open Monday through Friday, and I always think to myself, Monday through Friday, 8:00 AM to 8:00 PM – what's the deal with that? This is a multibillion dollar company. Why aren't they open Saturday and Sunday? We originally had the concept of we're an Internet company – we need to be open 24 hours a day, so on and so forth.

The same funny thing happens in customer service. On Sundays, your first call resolution, which is the

ratio of people that call back, plummets. You go from a 70% first call resolution on a Monday to a 40% first call resolution on a Sunday, so effectively on Sunday, people that are calling in are calling in with the mindset of calling back in. I'm not necessarily sure it's really a fault of the call center because it's the same people. It could be somewhat relevant because the call center rep may be saying things like, "Call back tomorrow, when so and so is in," or whatever. But, we close Sundays because we effectively realize that our effectiveness on Sunday was below our acceptable level, and we'd rather not take the call. We'd rather not piss off 60% of the people and just let them know, call back on Monday. Everyone else is open 24 hours a day and 7 days a week, and what we did is we use the forum.

So on the sales side, I can imagine it's probably a similar thing. Probably, people are more apt to making a decision and they have a clearer mind at certain times during the day, so they're able to make a buying decision at certain times. It's just predictability. It's just like the Internet and human behavior. There's always a certain predictability to it, and I'm not sure there's an answer to it per se, but it is what it is.

Adrian Bye: Okay, so the next question is, many of my best sales agents seem to produce very well between six and twelve months after which they more or less burnout and become bored and ineffective, rather than seasoned and experienced. Is there a way to save these people or is it better to just let them go and get someone fresh on the sales floor?

Martin Toha: The number one reason for people to leave the call center business, which has an extremely high level of turn, probably the highest that I've effectively known in any large industry is because they have lack of ability to improve their job or move up in their position, and that's the number one reason they quit. They're not taking the job because it's what they've gone to school for and they thought that's what they wanted to do since they were seven years old, so effectively you do lose some of that effectiveness. Now, that's more of a psychology question than anything.

In my experience basically, you're going to have to go with the cycle. That's what everyone else does. The big call centers have no other better solution either, so there's not like this secret sauce that they have out there where they're able to keep reps for eight years and so on. That's one of the things that Canada seems to press is that, "Look, we live in small towns. We take care of our reps and pay them well and they stay longer." But then, there's companies like...I forget. It's not Newegg, but the other one down at Arizona over there, the average sales rep lasts 45 days.

So, you've kind of got to go with... I'm the kind of person that says, "This is the effective model. Let's go with it. These are the things that we probably could change, if we really beat it with a bat, but let's not change it. Let's take what we know and work within that realm and make it more effective." If you need to hire more people, if you need to train them better, if you need to train them faster, you can do things like automated hiring or certain training mechanisms or so on and so forth that get your reps to a higher peak level. You can move them from department to department, but then, you're talking about more of a psychological thing, and I'm not an expert there, so I don't want to speak to something I don't know. But, there's this...

Adrian Bye: You're mode is to say, turn and burn.

Martin Toha: Yes, I mean basically, if you know that your average rep is going to last 45 days and you've tried everything to fix that problem or if your average rep is lasting six to eight months, six to twelve

months – that’s a long time. It’s all relative, right? So, six to eight months is effectively a long time for a call center rep to have a single job, so my point of view would be to remove more of the cost and know that metric going in, and work with that metric. Keeping a rep longer isn’t any better than having two reps for six to eight months, as long as your cost to get the other next rep is not too large.

Adrian Bye: Okay, then my third question is, are people out there successfully cold calling or are they mainly working with targeted, qualified leads for a call center sales?

Martin Toha: There’s a giant industry of cold calling. It just depends on the product. There’re companies... I’m from South Florida, so this is the cold calling capital of the world. Depending on the product – there’s like a bunch of business-to-business sort of cold calling that goes on. Cold calling now, per se, has taken a big hit because of the DNC of course, in the past several years, but at the end of the day, there’s definitely an industry of cold calling out there.

Adrian Bye: What kind of products do best in cold calling?

Martin Toha: Larger ticket items like for example, reverse mortgage, and I guess, it’s kind of like what your definition of cold calling. If you have a list of people that have a mortgage, is that cold calling? I don’t really know, depending on your definition, but basically...

Adrian Bye: There aren’t even leads, are they? Cold calling means anyone on the firm of DNC, which has got to be a list then.

Martin Toha: The DNC is about 60% of the US, 60%, 70% and it depends on your list obviously, but it’s ineffective to just randomly... If you’re talking about starting with 00000001 and start to go up to 00000002 and then, start dialing every number you can think of, that is done primarily through voice broadcasting because that’s really the only efficient way left, but if you have a team of people that they can get... To me, cold calling is anyone that’s not ready to receive your call, so if you have a list of people that are in your town and they just bought a house, and they want to put their house up for sale, you’re calling them to get the listing. That’s cold calling, and that’s effective still.

Adrian Bye: To me, that’s coming from a list, so that I can...

Martin Toha: Yes.

Adrian Bye: I think we’re on the same page.

Martin Toha: Yes.

Adrian Bye: So, is there anything we should add in about call centers or can we move onto project management?

Martin Toha: No. I mean, we can talk for days on this, but I think that we covered a lot of it. I can tell you that it’s something that you have to be committed to doing, if you want to bring your call center in-house. We effectively save about \$100,000 a month and provide I would say, double the quality of service than we were when we outsourced. It’s still not the service that we want to.

Adrian Bye: Things that everyone can take advantage of in your business.

Martin Toha: We have an extreme long-term advantage now because our cost variable is far lower, so now, we can effectively pay more for customers. So, yes.

It depends on your business. I mean, a lot of these for example, the companies that build direct response companies and advertise products on TV, they really aren't interested in that mechanic because if they can save \$0.50 a sale by doing it themselves or \$1 a sale, it's really not effective for them to bother. So, they just outsource it to West and negotiate the best price. So, there are certain needs. We happen to be stuck in the wrong bucket where we were required to be in a call center business in order to run most effectively.

Adrian Bye: Alright, so let's talk about project management. For project management, there's a site that you use and I forgot the name of the site that you use for managing your...

Martin Toha: Actually, we built our own software. The one that I always talk about is our "ticket system" – that's a homegrown solution that we wrote. A lot of companies either use Remember The Milk or Basecamp from 37signals, so those other two softwares are the defacto web-based project management solutions out there.

We currently use a system that we built five years ago that we've not changed, and we found simply works, and we stuck with it. In essence, we have a mesh of users. I'd say about 20 users that log into this ticket system, and they can create tasks between each other, and it's very simple. You can put a subject and a body, and you can attach a file if you want to. You create a ticket, and you assign it to somebody. You, as a ticket-owner create this request, and the person that receives it has to complete it or has to pass it back to the original person, so the person that receives it says, "Okay, I got it. I'm going to work on it" and puts it in progress. That one little function there kind of reduces a lot of the runarounds.

So in other words, if I ask you to do something, you can't... If I e-mail you something and say, "I need you to do this," and I see you for lunch the next day, you can't come to me and say, "Well, I asked someone else about this. Talk to them," because I gave you a ticket and you can't get it off your screen until you either tell me to work with somebody else or tell me you're working with that other person and then create the next leg of the chain. So that one step removed a lot of workaround.

Now, people complain that they can't... People that initially started using the ticket system say, "Well, how do I forward this ticket to someone else?" Well, you can't. So, that's one of the things where when you build software, you almost have to decide is too many features a big problem and usually, in high utilization software – software that cycles a lot of time, simplicity is the way to go and often not allotting people do things.

So, the person creates a ticket for the other person and they work it back and forth until it's done, and we create different views for different groups, so certain project managers can see certain sets of people's tickets between each others – third parties and create tickets for so on and so forth, and we effectively know what everybody's working on with the ticket system.

I have a screen in front of me right now where I can see every single task, a simple subject line about what it is that someone's doing, asked for by whom and given to whom, and what their progress is on it, and just quickly scan down and see that everyone's got something to do. I know exactly what everybody's working on. That one thing allows multiple groups of people in the company to see what is going on because a lot of people from a corporate environment come to work with us. We don't much hire that group anymore, but they come to work with us and they get the immediate thing of, "Well, I don't know what is going on," and that's an excuse I cannot stand. So, anyone that kind of has been working with us and kind of doesn't have a history of working a certain way where they have meetings everyday and certain conference calls, and so on and so forth, they kind of take right to our process.

We use Skype or any instant messenger, AIM or whatever for immediate back and forth and so, between the ticket system and instant messenger, that's 80% to 90% of our interaction as a team. We rarely call each other, and we effectively get everything done that way. I try to run it on a development side, and that's really the core competency of our business is to develop software to run business processes. We effectively want to get as many project managers out and away from the developers as possible. The only reason we would use a project manager is to separate sales and marketing from development, and to make sure that because obviously, sales and marketing wants everything, and development wants to do nothing. So, we'll do it, but it doesn't know what's important per se and so, that's the only real reason why you would need project management.

We don't prefer to hire developers that need that sort of support in there because it's a business environment where the rest of the developers, a lot of them used to be small business owners or used to do things on their own and understand what's important and what's not. So, that basic understanding is something that you kind of have to train someone over a certain period of time. So, between sending links back and forth, remote desktop, and some of the other obvious tools that developers use, we get pretty much everything done. What we do...

Adrian Bye: Let me ask a question on that. Of your teams of developers how many are US based and how many are international? Your overall need is 40 people.

Martin Toha: I think we're only one international, but we're all over the US, so we've got Texas – a few couple and we used to have a couple in California and New York – East Coast, Tennessee, some in Florida, so we're all over the US.

Adrian Bye: So, you're not working with cheap Polish and Ukranian development. You're working with fairly solid-US ones?

Martin Toha: We tried that. We tried the outsourced model, ran into the same issue where we're kind of in the quality game. I prefer to build the thing the right way the first time and pay twice as much than to build it for \$15 an hour, but have to build it seven times.

I'm a developer as well, so I can look at a piece of code and know what it is. I know what quality of work is being done and I have a very good understanding of that, so basically, it's not to say that every programmer in India can't program. It's just that it's a little bit harder and in fact, with the world flattening, I think that a lot of the good programmers in India are getting paid probably what they would

get paid here in the US because of remote hiring and things like that.

So, no, we're not using any cost-saving measures there. We tried; it didn't work.

Adrian Bye: Okay, next question is in, when you talk about tasks going back and forth, how small can a task get and how big can a task get?

Martin Toha: I always try to explain to everyone that a task should never exceed four hours. If it's more than four hours, it's too big. Obviously, I'm probably the biggest offender of that rule, but the task could be build voip.com. But obviously that is useless, so what you need to do is you need to chew down the task to either a 10-minute thing or an hour thing or a three-hour thing or maybe, a day thing, but you don't really want to... A task may take a month to complete because you're waiting on third parties or you need this. You know, there are certain things that you don't have access to or whatever. But, you don't want to issue a task so big and obviously, there's obvious reasons for that because if you create a task that takes three days and the person comes back in three days and says, "I'm done," then you look at it and say, "This isn't what I wanted," so you lost three days. So, it's far better to break it down and make sure you see the steps of the process going through.

That way, you have communal buy-in. You have multiple people seeing what's progressing more regularly. You're having shorter, more frequent meetings per se, even though you're not talking with each other because you're kind of seeing each other's work and you're more frequently seeing that, so you can kind of stop the car from going in the wrong direction quicker. There's other reasons for that, too, but that's one of the main ones.

Adrian Bye: So, to build on that. Do you have team members send out things like daily progress reports via e-mail or is everybody monitoring your dashboard, so that's how they can see what's going on, on a daily basis.

Martin Toha: We waste no time with progress reports.

Adrian Bye: Well, the deeper question is, how do you know that all of your guys are actually productive all the time?

Martin Toha: The two questions you asked, the first one is we absolutely waste no time with progress reports. We get a couple of people every now and then that say, "Here's what I've been working on," and give us a list of things. Unless I get a feel for that we're not getting what we need to get done, then I won't ask for that. It's more of an honor system. I can watch in real time kind of the screens as they go through and the tickets as they're getting completed. Like I told you, the tickets are five minutes to four hours, so that gives you an idea of how many tickets a week someone should get done. So, in a couple of clicks, you can look at what someone's done in a week and never even have to get the sales pitch from them because obviously anyone can produce a report that says they worked all week and tell you what they did. But someone that knows has to look at it and say, "That's how long it should've taken – good job."

So, you have to have some knowledge. You have to have someone you can trust, which happens to be knowledgeable in programming or whatever task it may be to set a metric on what needs to get done in

a certain period of time and a lot of that is based on kind of like back to the call center. If people believe in what you're trying to get done and trying to do, then they're going to be more effective for you in several ways, and one of them obviously is to make sure that they're getting their work done.

It's just like anything else. You may have someone that does in 25 to 30 hours in a week what five other people can't do, so that still may be enough for you to be happy with that person. So, you kind of have to just make that decision as you go, but at least you can see what's going on.

Adrian Bye: So, of your 40 guys, you can go in, with a couple of clicks, into looking what they've done over the last week or two and get a feel for it.

Martin Toha: Yes, much like an oDesk, we can probably see effectively what's going on. A lot of it is not just the technology, but the process that everybody understands – how to make the requests on the tasks, and what's important and what's not.

I always try to explain to any of the project management that happens, the goal is to try to do 50% of the stuff that's going to stick. I said, "If you can get programming to do 100 things and in a year from now, 50 of them are still in use and effectively producing money for the company and producing utility for the company, then you did good."

So, there are several functions. One of the ones I'm bringing up now is making sure that the programmers don't get things that they don't need to be doing because they'll do anything, so it's really not a function of, "are you working, can you work harder and work more, and why aren't you working."

Those sorts of things aren't really as relevant as...It's kind of like anyone that looks at Facebook and goes, "Wow, this is pretty simple," and it is, and it's because they pick the right thing to do and that's why they're effective. It's not because they did a lot per se. We're not running a...

Adrian Bye: I mean, what happens if you bring in a brand new 21-year-old marketing guy from Alabama who's going to change the world with his marketing ideas, he joins the team and then starts putting a lot of jobs for your developers in their job queue? How does that work?

Martin Toha: You mean if he says, I need to build this product and this product and this product?

Adrian Bye: Yes, he comes up with all of these things, lots of 4-hour jobs.

Martin Toha: That's why I hire developers that have a fairly decent know-how. For example, often, our project manager will assign a developer something and the developer will say, "We have six customers that use this product. Get rid of this ticket. It's cheaper for us to lose those customers than it is for me to spend three days fixing it." So, you have to have a team of people that all understand what's relevant. That is the only real way I've been able to find what's effective.

Now, you can build it where you have different checks and balances, but we're a small enough company where if that were to happen and a lot of bad direction were to come of it, then we would all see it because we all kind of watch what everyone's doing, like I said originally.