

A Telephone Answering Service Business Opportunity

1. Market

INTRODUCTION

A Telephone Answering Service is essentially an Inbound Call Center that specializes in receiving messages for a wide range of clients. A typical Telephone Answering Service usually consists of from four to 30 agent stations and servicing from about 200 to over 1,000 clients. At present, there are approximately 2,800 Telephone Answering Service companies operating in the US that provide 'live-answer' messaging services.

Market Size

Recent technological advances have expanded the range of services that Telephone Answering Services offer their clients to include alpha-numeric paging, voice mail assist, fax message delivery, e-mail message delivery, text message delivery to wireless telephones, and even order entry, reservation, and appointment services. While technology has seen the number of services declined over the recent years, overall market revenues have almost tripled to just over \$3-billion. This improvement in revenues is mainly due to technical advances that have made it possible for even a relatively small business to take advantage of new communications services for a modest investment.

This trend of increasing revenues is expected to continue for several reasons:

- (1) As our daily lives become more automated, the price we're willing to pay for personalized services has increased.
- (2) There are situations where interface with another human is absolutely required.
- (3) There are even more situations where personal interaction is considered a definite benefit - even a selling advantage.

2. The Business

Overview

A Telephone Answering Service provides message taking and delivery services for a wide variety of business clients. We are not referring here to an automated, voice mail types of service, but rather to an agent-assisted personalized message service. A service that caters to the individual messaging requirements of each client served, and where each incoming call is handled by a communications agent - that is to say, a "real" person. A Message Center that specialized in personal message taking by trained agents represents a service business that is not only in demand, but is potentially very profitable.

The benefit of a Telephone Answering Service business lies in the long-term recurring revenue stream the business generates. The message services you will provide are important to your client's business success. Servicing as few as 200-300 clients can realistically produce annual revenues in excess of \$600,000. Most important, this is recurring revenue. Once your business and clientele are established, this recurring revenue stream is almost assured. And further, because this is a business where your operating costs are readily identified and controllable, pre-tax profits in the 25-35 percent range are not unusual.

Services Provided

It's usual for a Telephone Answering Service to provide multiple services, tailoring the business to suit the interests or the experiences of the owner, and the needs of the clients. Here are some types of services that can be provided:

Telemessaging and Paging Solutions

- 24 hour, 7 days live Telephone Answering and message taking
- Bilingual services & Multi-lingual interpreters
- Virtual receptionist service with call transfer capability
- Emergency dispatch
- Local, regional and national pagers -Digital / Alpha-Numeric / 2-Way
- Answering for medical professionals and providing: Message Confirmation, Physician Tracking, Number Verification, Emergency Patching - physician to physician, Emergency Patching - physician to patient
- Office call over flow service
- Wake-up service
- Automatic message dispatching to: alpha-pagers, fax machines, email services, digital telephone
- Agent assisted emergency dispatching
- Emergency personnel tracking
- Substitute teacher location
- Staffing services
- Referral services
- 24-Hour coverage
- Information desk
- Referrals

Order Entry/Telemarketing Solutions

- Inbound National 800/866/877/888 numbers
- Outbound / Inbound telemarketing and telesales with up selling and cross selling
- Direct TV and advertising media responses
- Inbound catalog Sales
- Information requests
- Order taking
- Credit card processing

- Seminar and event registration
- Dealer locator and directions

Customer Relationship Management Solutions

- Customer Care Services
- Help Desk
- Disaster Back-Up
- Emergency Escalation
- Roster Management (Trouble Ticket & Work Order Management)
- Customer Service & Sales
- Product Recall Management Services
- Corporate Hotline Services
- E-mail Response Services
- Multiple Call Center Volume Routing
- Shared Operator Service, Dedicated or Blended
- Travel, Leisure, Concierge Services
- Sales call scheduling
- Appointment scheduling
- Order Processing
- Credit card processing services
- Dealer locate service
- Customer service / help desk
- Reservation and appointment setting
- Sales lead capture

Target Clients

Virtually any business can benefit from the services provided by Telephone Answering Service. For some clients, like doctors or emergency service providers, a live-answer message service is a must. Other clients simply desire a more professional business image, which is something a Message Center agent provides. Still others might wish to differentiate their business by having their calls answered first by a person rather than an impersonal automated answering system. Finally, there are many clients that need to have specific information gathered from a caller in order to properly respond to the call.

The range of potential Message Call Center clients would include:

- Air Conditioning Companies
- Alarm Monitoring Services
- Cable TV Companies
- Car Dealerships
- Chimney Cleaning Companies
- Churches
- Cleaning Companies
- Doctors
- Dentists
- Electrical Contractors
- EMS Transport Services

- Fencing Companies
- Fuel Oil Delivery Service Companies
- Funeral Homes
- Health and Medical Care Centers
- Heating Services
- Hospice Nurses
- Hospital Equipment Providers
- Manufacturer Representatives
- Medical Equipment Specialists
- Municipalities
- Specialty Nurses
- Oxygen Equipment Services
- Paving Companies
- Pharmacies that Deliver
- Physicians and Surgeons
- Psychiatrist
- Refrigeration Companies
- Restaurant Reservations
- Roofing Companies
- School Districts
- Sewage Authorities
- Sewer and Drain Cleaning Services
- Towing Companies
- Veterinary Hospitals
- Visiting Nurses
- Water Authorities

The important point is that in spite of recent advances in communications that promise to keep you eternally 'connected', the need for personalized, live-answer messaging services will not be going away any time soon.

3. Technology

Exciting advances in computer, telephone, and communications technologies have added sophistication to the capabilities of Telephone Answering Services.

Computer Telephony Integration - enables computers to know about and control telephony functions such as making and receiving voice, fax, and data calls, telephone directory services, and caller identification. Productivity benefits include: improved customer service, increased productivity, reduced costs, enhanced workflow automation, protected investment in equipment, and computerized telephony intelligence

T-1 Service - is the term used to describe a telephone signal carrier facility that transmits digital signals at 1.544 megabits per second, and allows 24 separate audio conversations to be carried simultaneously over four wires.

Voice over Internet Protocol (VOIP) – is the ability to transmit voice over Internet networks. Recent advances in VOIP technology are making the convergence of digital phone calls and data traffic cost effective, and allowing the integration of voice and data applications while expanding telephony options.

Basic Telephone Service - it is possible to start a Telephone Answering service business with basic telephone service. A new business, for example, can start with as few as four Direct-Inward-Dial (or DID) lines, 100-DID numbers for handling in-coming call traffic, and three or four business lines for handling out-bound calls for dispatching pages and for fax message delivery.

4. Messaging Equipment

Telescan provides a range of specially designed Telephone Answering System equipment under the SPECTRUM brand. Selecting the right equipment for your business is an absolute necessity for efficient call processing. The services you will provide imply labor-intensive activities. Therefore, the equipment you select to help agents handle incoming calls and dispatch messages is a critical element in the success of your business.

A SPECTRUM Telephone Answering System is the engine that will drive your Message Center. It will operate reliably 24-hours each day, all year long. SPECTRUM Systems guarantee long-term efficient and reliable operation. And will perform the following key functions:

1. It will identify incoming calls and know which one of your clients the call is FOR. To do this, the equipment uses one of the incoming assigned DID telephone numbers mentioned earlier, coupled with the feature of Call Forwarding. When you add a client to your messaging system, you assign them one of your DID telephone numbers you received from the telephone company. When they want you to answer their business line, they Call Forward that number to the DID number you assigned to them. The SPECTRUM System recognizes this DID number, and knows to which client it belongs.
2. Once the call is identified, it presents client-specific call handling information to the answering agent to allow efficient handling of the call in a personalized manner.
3. It distributes calls among agents for work load leveling and call processing efficiency. Typically, an agent spends only 30-60 seconds interfacing with a caller. In this time a call must be answered with a personalized greeting and an accurate message taken.
4. It instantly routes calls to agent positions, and re-assign them based on their call status and duration - that is whether they are ringing or holding, and for how long.
5. It allows for the storage of text messages taken by agents, and the process of typing and storing these messages must be quick and simple.

6. It provides quick access to stored client messages in response to client requests to look-up information from a previously delivered message, or to re-send a previously alpha-paged message. These service requests require that the agent have fast access to all stored messages on the system.

7. It tracks various agent, client, and traffic activities for management and billing purposes.

8. Once a message is stored, it must be delivered to a client to complete the transaction. While some clients may call-in and collect their messages, many will elect to have messages automatically delivered to their office fax machine, alpha pager, email, digital phone, or even to some combination of these devices. The SPECTRUM System is capable of dealing with all these forms of automatic message dispatch.

This wide range of features and capabilities – and many more not mentioned - combine to make the SPECTRUM System the exceptional, mission-critical tool your business will demand.

5. Ways to Start

Overview

There are several possible ways to approach entry into the Telephone Answering Service business. You can start out as a new business - that is from scratch; you can add an answering service to an existing business – if you have one; or you can acquire an existing business. The route you choose will depend upon your circumstances, and your financial situation.

Start your business from scratch

EDUCATE YOURSELF

One advantage of starting your business from scratch is that your financial commitment can be lower; although you still need to be sure you have sufficient capital to see you through the start-up phase of the business. Another advantage is that you (and perhaps your spouse or partner) can provide some of the initial labor, thereby limiting the number of other answering agents you need to hire.

This is a service-type of business that requires constant 'people' contact, including both your clients and your employees. Do some research; talk to existing telephone answering service owners; visiting several existing business; contact the ATSI (the Association of TeleMessaging Services International). The ATSI can provide you with information about the industry and alert you to regional or national meetings you might attend.

DETERMINE YOUR BUSINESS FOCUS

You might be able to identify a special niche market for your business by examining your own working experiences. Perhaps you have experience in a specific industry with special needs. For example, you may have an intimate understanding of the dispatching issues faced by trucking companies. Or you may have worked in the medical industry and be especially adept at providing appointment scheduling type of services. Having expert knowledge like this can give you a leg up over your competition, and better help you to secure new clients.

In any case, you should do a local market survey to determine how many customers you can generate in your operating area. Use the phone book and call potential clients to inform them of your intentions to start an answering service to get their interest level. Just about anyone with a business card is a prospect for your services. People working out of their homes, salespersons, people who provide on-call, 24-hour services like elevator maintenance companies, electricians and locksmiths. Ambulance companies, towing services, cable TV companies, doctors, dentists and other professionals are additional prospects for your services. See the list of Target Clients presented earlier.

INITIAL FINANCIAL CONSIDERATIONS

When starting off from scratch, your initial facilities could be separate offices, or even a space in your home. The important point is to opt for modest facilities to keep your initial operating costs low as possible. 'Walk-in' traffic is not a concern, since virtually all of your clients will be signed-up by you over the phone or in person at their offices.

Telephone services- It is absolutely necessary to have a designated business site. When you order your telephone services the phone company will want an address to verify that there are sufficient cabling facilities available to serve the location. As mentioned earlier, you can start your business using basic telephone services. We recommend starting with at least four DID (direct inward dialing) lines, at least two business lines, and a block of 100 DID numbers (DID numbers are provided in blocks of 20 or more, the size options depending on your state and phone company). Having 100 DID numbers means you could accommodate up to 100 clients, although you would most likely need to add DID and business lines as you approached that number.

Equipment - As explained, you will need a dependable Telephone Answering System supplied by a dependable system provider. Fortunately, Telescan fills both bills, and can provide you with a SPECTRUM System that will fit your budget. Telescan will also help you arrange financing for the equipment, and assist you through the process of determining your system arrangement and securing your telephone services. Finally, Telescan will install your equipment and train you and your answering staff. These are services whose value cannot be overstated.

Facilities - Please note that when deciding on your office facilities remember to consider the people who will be working for you – including yourself. Make sure your office is as inviting as possible. Install good lighting, and carpet the floors. Purchase good quality new or used office furniture, especially chairs. Make sure you have a good PC for administrative uses. Buy or lease only what is absolutely essential until you get the business running on a profitable basis.

ESTABLISH YOUR PRICING

The rates you will charge for your service should be based on the going average rates charged by other services in your area (or a comparable area if you're the only service around). You don't want to under-price your services, or set your rates too far above the averages. You can find out what rates are in your area by calling your potential competitors to see what they are charging. You might do this yourself, or have someone do it for you. The current industry average is in the range of \$.90 – 1.15 per minute of service provided. How will you keep track of that? Well, if you purchase A SPECTRUM System it will do the call-time tracking for you, for each of your clients.

This brings up the question of how to structure your billing. Some services structure their pricing using a base number of calls at a flat rate, plus additional charges for calls over the base number, and further charges for special call services like wake-up calls and patches. Others use a time-pricing structure where each client is charged based on the amount of service provided. We believe it's best to charge based on time, because that will be the fairest plan for both you and your clients. Here are two examples of pricing plans:

Call-based pricing

Basic Service - (7 days a week) - \$90.00, includes first 55 messages
Additional messages are charged at 85-cents each.
Alpha paging service is an additional \$10.00 per month

Time-based pricing

Basic Service - First 60-Minutes of Service Time - \$65.00 (Additional minutes at \$0.95 per)
Patched Calls, each - \$ 1.00
Fax Message Delivery, once per day - \$15.00 per month
Email Message Delivery - \$15.00 per month

After you have finished with your survey, picked a company name, decided on a location, picked out equipment and ordered phone lines you're ready to order things like business cards, stationery, furniture and everything needed for your business. And remember, this is a 24-hour business, so you will have to provide around-the-clock staffing.

SELECTING PERSONNEL

Two important factors to look for in an agent are voice and attitude. You want agents that sound pleasant, yet alert and interested in helping the caller. Try to hire people with some prior telephone answering or related experience (perhaps as a receptionist in a professional office). Be advised that it takes time to train an inexperienced agent. There is the issue of how to handle the variety of calls and clients, plus how to use the

answering system. You might assign less experienced agents to slower call shifts, and then further groom them by having them sit in with a more experienced agent during a busier shift.

Train your agents to answer with a "smile" in their voices. Train them to take their time with callers. Train them to get the message and call-back number right by reading the message back to the caller, and to be sure to ask the caller for the correct spelling of their name.

Remember, even though you're starting your business from scratch, you are running a 24-hour business. This means that you need to staff with the equivalent of three full-time agents, plus have at least one more agent available for backup. Of course, as mentioned earlier, you or a partner can operate as one (or more) of the agents, and certainly as a backup. Wage rates for agents will depend on your business area and the general job market. While you may be able to start an inexperienced agent at minimum wage, keeping that agent will require reasonable wage adjustments as they gain experience. Be prepared to pay \$1-4 above minimum for more experienced help.

ADVERTISING, SALES, and MARKETING

Since you're starting a new business you won't be able to spend too much on either advertising or marketing. However, you should definitely check with your local Yellow Pages to see when the next issue will be out, and if you can get a listing inserted. The Yellow Pages are still a primary way your prospects will find your business, and you need to get listed there as soon as possible. In fact, you might delay opening your business a bit to make sure you have a presence in the next available issue.

Ways to attract and secure clients include:

Targeted direct mail - You can do some controlled direct mail prospecting by selecting a certain client type (doctors, plumbers, etc), developing a mail list of prospects from your local telephone directory – or purchasing a list, creating an introductory letter-offer, and sending it out. This can be an effective way to introduce your new business, and to secure clients.

Direct Sales - You can use the services of commissioned direct sales persons.

Telephone Sales - You can mount your own telephone sales campaign targeted at specific client types.

A Web Site - In today's environment it is also important to establish a web site as soon as possible. A small four-page web site does not have to be expensive. However, make sure your new site is properly structured for and presented to search engines for optimum results.

PURCHASE EXISTING ACCOUNTS

Assuming your business is up and ready to go, then purchasing active accounts from an existing business is a viable way to add new clients fast. This route may not be readily available, however, since you would need to find a willing seller in your operating area. It is worth while looking into, and we suggest using the services of a business broker specializing in the Telephone Answering Service industry to help you locate a potential seller.

Purchasing a group of accounts will save you the time and money you would otherwise spend adding one client at a time through advertising and sales efforts. Of course, you will have to pay for the accounts, but you can most likely do that over a time arrangement with the seller.

It's best to purchase accounts being serviced in the same central office where your business is located. That would be easiest for you and the clients, because then the accounts would retain the same DID (call forwarding) numbers. You can purchase accounts being serviced outside your central office area. However, that entails additional planning to properly move those customers onto your answering system. Telescan can help you plan for this kind of a transition.

The price you will pay for existing accounts will depend on a number of factors. A realistic price range is in the order of 4 to 6 times the average monthly revenue the accounts are presently generating. Of course you'll want the seller to verify the current revenue stream, as well as disclose the call volume each account generates. Knowing the call volume is important for at least two reasons: (1) you want to be sure the accounts are not being 'under billed' for the amount of service they are presently receiving, and (2) you want to be sure you can handle the call volume.

When negotiating the price, try to make the smallest possible up-front payment, stretching the balance over some reasonable time period. There are other factors to consider, which is why asking for assistance from a broker is useful. For example:

1. How much are the accounts presently paying for service?
2. How are the accounts currently being billed?
3. How many accounts might you lose after moving them into your business? (The average drop-out rate is in the order of 20%)

ADMINISTRATIVE CONSIDERATIONS

AGENTS - Keep your agents busy! Calls won't be coming in constantly, and there may be fairly large blocks of time when there are no calls at all. It's a good idea to provide some additional tasks for your agents to perform during slow times. These can range from handling your own promotional mailings, prospecting for new clients, handling wake-up services, or any other kind of paying task. The important thing is to keep your agents busy doing some kind of work that makes money for you.

BILLING - You will need to set aside a regular time to do billing each month. If you have not invested in an automated billing program, then you will have to take the per-client

statistics off of your answering system and manually make out and mail each statement. Your agents can help with a part of this task during slow call times.

CUSTOMER CONTRACT - When you accept a customer, have them sign a simple agreement specifying the name and address of the firm to be billed for service and the name and signature of the person authorizing the service and who will be responsible for paying the bill. The agreement should include a 30 or 60-day cancellation clause (by either party), as well as any required disconnect charge if proper notice is not provided. Also state that a full month's payment must be made for any partial month's usage, and that the first and last month's base charges are to be paid up front at the time of service approval. Make sure you bill in advance for basic service and in arrears for any added services. Finally, include a one-time set-up fee for establishing the account and adding them to your system.

BUSINESS INSURANCE - Another important item to consider is Errors & Omissions Insurance. E&O insurance will protect you and your agents against liability from mistakes or missed messages that might result in a serious consequence. This is good insurance to have, and it is available at low cost through the Association of TeleMessaging Services International (ATSI). You will also need other insurance basic to any business.

Add to your Existing Business

In the event you are already running a 24-hour (or normal hours) type of business, then adding a 24-hour messaging service activity might be a viable idea. Some advantages would include:

- Better utilization of your existing facilities
- Making better use of your current employees time
- Sharing management expertise
- Expanding your overall business
- Improving cash flow
- Use your existing financial condition to get the business started
- Use your present customer base as a prospecting source for the new business

Of course, integrating a new and different business into an existing one is not without potential problems. Is there sufficient room available for the activity? Can the same employees be efficiently used, or are the required skill sets too different? Will the new activity place any serious operational or financial burdens on the existing business?

However, this may be a possible option, and the steps for entry are essentially the same as those that need to be addresses when starting a business from scratch. Again, Telescan personnel can assist you in reaching a decision. Their years of experience dealing with various clients and business situations can prove invaluable.