Top 10 Reasons to Move Your Contact Center to the Cloud

Five9 White Paper

The contact center infrastructure market is undergoing a major revolution, moving from complex, on premise, multi-vendor technology to easy to use, all in one software suites in the cloud. But is moving your contact center to the cloud right for your business? Find out more about the top 10 reasons why business like yours are moving to the cloud.

Introduction

The contact center technology market is undergoing a sea change. Cloud contact center software has steadily gained mindshare and wallet share among IT departments, contact center executives, and CFOs. The rising tide of deployments provides ample proof points of concrete business value and encourages further adoption. Consequently, rapid growth is taking place in all segments of the contact center market. Faced with two distinct deployment options, end users are increasingly voting with their feet and shifting to the cloud.

In recent years growth has consistently outpaced expectations. Adoption began to accelerate during the heart of the Great Recession, as executives requiring a technology refresh avoided the risk of large upfront capital expenses and opted for a rented model rather than a purchase model. As the technology matured, the average deal size for cloud contact center software continued to grow, and by the end of 2012 reached 250 seats, while continuing to move upward.[1]

This development is not a transient trend, but rather a fundamental market transformation. According to Art Schoeller, Principal Analyst at Forrester Research, the shift is "on par with the move from analog to digital and TDM to IP."[2] As we reveal later in this paper, the scale and scope of changes ushered in by the cloud alters how technology vendors create value for enterprise customers.

Cloud-based solutions provide compelling business value and are growing rapidly. But how, precisely, do we define this segment? Hosted contact center options have been available for the past 10 years, yet most cloud-based solutions currently on the market differ from these earlier offerings in that they include multitenant architectures, where a single instance of a software application services multiple customers. Each customer tenant may have the ability to customize certain parts of the application, such as business rules, but not the applications code. As we explain later in this paper, this capability allows cloud software service customers to retain control over the business while gaining flexibility and cost efficiencies. The core attributes of cloud contact center software, as defined by DMG Consulting, are:

> Rented technology/application (hardware and software) solutions are delivered as shared computing resources, applications and services that are hosted at a service provider's data center and delivered to a client organization's computers and devices from the provider's centralized contact center environment via a public or private network. Users pay a monthly, annual or multiyear fee to use the application. The user is responsible for managing the use of the application on an ongoing basis. Since the vendor owns and maintains the software and hardware, maintenance and software upgrades are included at no additional charge.[3]

It's important to note that the most successful cloud-based solutions vendors offer more than just an alternative way to host software. In addition to delivering a product, they leverage their software capabilities to solve specific customer problems. This involves a transformation in performance where the focus becomes defining what success means for customers (in terms of metrics, service level agreements (SLAs), etc.) and making that happen. When problems get solved, departments such as sales and professional services can focus not so much on billing or upfront revenue but on concrete client business success.

1 Ibid, p.4
2 Art Schoeller, personal communication, March 27, 2013
3 DMG Consulting, LLC, 2012-2013 Cloud Based Contact Center Infrastructure Report Market, (2013) :10

As revealed by J.B Wood, Todd Hewlin, and Thomas Lah, best-selling authors of Consumption Economics, this is a major shift in how technology vendors provide value for enterprise customers. Cloud-based software delivery involves a risk shift from customers to software vendors who now become responsible for business results, measured on an incremental basis.[4] This transformation in risk structure plays a role in each of the top 10 reasons for adoption, which are listed below and explained in the following section.

1 Reduced Upfront Costs

2 Shorten Startup and Integration Timelines

3 Access to Features and Functions

4 At Home Agents and Virtual Contact Centers Simplified

5 Unexpected Peaks and Valleys

6 Ease of Integration and Customization

7 Control in the Hands of the Business User

8 IT Freed Up to Focus on Strategic Matters

9 Security Expertise

10 Catch the Next Wave of Business Process Innovation

1 Reduced Upfront Costs

Cloud contact center software allows enterprise customers to avoid risks by dramatically reducing the up-front expenses of acquiring a solution. By renting on a monthly, yearly, or annual basis, users avoid the large capital investments of a premise-based solution, along with the associated risk of not recouping these costs. Cloud solutions involve no capital expenditure of equipment and software and are paid for out of OPEX rather than CAPEX budgets. A further component is the absence of hidden costs, those not contained in a technology vendor agreement but required to set up and maintain a premise-based solution. For contact center solutions these include: Data center, real estate, power, database administration, IT resources, etc. All of these add significantly to the total price tag of a solution.

Under the premise-based model, enterprise customers sign a contract worth perhaps millions of dollars. One portion of this investment goes towards up-front capital investment expenditures, while another portion goes towards the professional services required to make the solution perform as promised. Yet, as illustrated in Consumption Economics, customers have no guarantee of achieving the business results they desire, or even that the solution will function as expected. In fact, only 14% of enterprise software deployments are rated as “very successful” by IT, so the risks can be significant.[5] By contrast, cloud-based contact centers operate on a consumption-based pricing model. After paying a modest initial fee, the customer pays only for the features they use, on a monthly subscription or transactional basis, and continues to pay as long as they are satisfied with applications performance and business results.

Without up-front sunken costs, contact-center executives find the decision to move to the cloud highly attractive. Absent vendor lock in, users are able to try out new features, functions, capabilities, and indeed entire solutions, with minimal risk.

2 Shorten Startup and Integration Timelines

While premise-based solutions often require months to deploy, cloud-based solutions can be deployed in as little as one day, and at most a few weeks. This model dramatically reduces risks for contact center executives. Rather than requiring customers to pay for implementation, integration, and maintenance upfront with the hope and expectation that the solution will perform as promised, cloud providers offer services built into software provisioning. In effect, it looks more like the outsourcing industry than the current premise-based enterprise software model.[6] Users are even able to “test drive” cloud contact center software in a free trial period in order to determine if the solution fits their needs.

4 JB Wood, Todd Hewlin, and Thomas Lah, Consumption Economics: The New Rules of Tech
5 Ibid
6 Ibid

All these points provide a compelling incentive for contact-center executives to upgrade their aging infrastructure. But executives often choose to sweat out their aging assets, rather than risk a lengthy implementation and associated downtown in handling customer interactions. In so doing, they lose out on the advantages of newer technologies. With cloud-based solutions, enterprise customers are able to get the technology up and running quickly and reap business benefits. This replacement cycle, coupled with rapid deployment, is a strong incentive for cloud adoption.

3 Access to Features and Functions

In the past 18 months, providers have attained near parity with premise-based solutions, and now offer a wide array of features and functions at a fixed monthly price. These include core infrastructure (queuing, routing, and reporting) as well as productivity-enhancing applications (such as Workforce Optimization (WFO), advanced Integrated Voice Response (IVR), and outbound dialers and integration capabilities to third-party software. Access to these deep and broad applications at an affordable price is a key driver of adoption. Additionally, because cloud-based suites can easily be "right sized" to fit the needs and budget of any size contact center, they are attractive across a wide spectrum of the market.

For smaller contact centers, cloud software options are enabling access to efficiency enhancing applications that were previously only feasible for larger organizations. For example, applications such as quality monitoring and workforce management are proving key incentives to cloud adoption, since these offer compelling business benefits, but can be complex to implement.

The increasingly broad and deep array of applications available are also compelling drivers of adoption for larger contact centers with complex and sophisticated technology needs. Recently, analyst house Ovum conducted an ROI analysis for cloud-based contact centers across various size bands, and found that the wider the range of features and complexity a large contact center requires, the more compelling the ROI for a cloud approach.[7] With each new capability released, cloud contact center software becomes more attractive to this segment of the market.

Across all size bands, a cloud based approach makes it more likely that customers use the features they've purchased. Because enterprise customers pay only for what they consume, vendors have a compelling incentive to ensure users gain maximum value from their software.[8] And since most cloud solution vendors use the Agile development method, based upon short-sprint development cycles in response to specific user feedback, features are tailored to customer needs. Finally, since cloud based solutions offer automatic upgrades multiple times a year, users can be assured they are always on the latest version.

4 At-Home Agents and Virtual Contact Centers Simplified

Demand for solutions supporting virtual contact centers and at-home agents has been steadily increasing for the past 10 years, and shows no signs of abating. A virtual contact center can be defined as network and agent resources located at multiple physical sites which perform as if all resources were located at a single site. Of contact centers operating in the United States today, 53% have some percentage of their agent population functioning from a home office. More than 70% of those currently supporting at-home agents plan on increasing the number of their at-home agents in 2013.[9] Supporting work-at-home agents delivers multiple benefits, including expanding the pool of qualified agents and allowing access to highly skilled employees.

Setting up at-home or branch offices also allows contact centers to incorporate qualified knowledge workers regardless of their geographic location. This supports improved customer service while reducing costs. Most companies which have started work-at-home agent programs find that their agents greatly prefer the flexibility, and will actually chose less costly payment packages to be able to work from home. Ultimately, agent costs can be reduced by 10-15%, while a variety of case studies have found that agent retention improves by as much as 30%.

7 Keith Dawson, The Total Cost of Ownership of Cloud and Premise Based Contact Center Systems, A Five Year Cost Comparison for the Deployment of Contact Center Technology Infrastructure, Ovum Research, January 21, 2013

8 J.B Wood, Todd Hewlin, and Thomas Lah, Consumption Economics, The New Rules of Technology, 2011

9 Source: National Association of Call Centers, Statistic cited in Amanda Marsh, 40 Stats Shaping the Future of Contact Centers, http://blog.vpicorp.com/blog/performance-optimization-2/40-stats-shaping-the-future-of-contact-centers accessed, March 22, 2013

While virtual contact centers have been available through premise-based solutions for many years, the solutions are costly and complex to set up and administer via this method, as it requires that the core infrastructure technology reside at a single location and be extended via a data network or SIP trunk. By contrast, a cloud based solution is truly virtual — no (or little) incremental network costs and application expertise are required to set up a single routing logic over multiple geographic locations, and agents are able to log in from anywhere. All agents need is an internet connection, a computer, and a headset.

These advantages make adopting a cloud-based solution not only compelling but almost irresistible for organizations with the need to support remote sites and at-home agents. Industries such as business process outsourcing (BPO), which require access to qualified and cost-effective labor in order to operate profitably, have moved to the cloud on a massive scale. The same applies to industries requiring specialized labor such as technical support, financial services, and insurance claims processing.

5 Unexpected Peaks and Valleys

Contact centers can experience intraday and seasonal peaks and valleys in interaction handling beyond the capacity for purchasing additional premise-based licenses. For example, the BPO, retail, sports-promotions, and tax-preparation industries all experience fluctuations according to client needs. Because these industries require the ability to rapidly scale contact-center infrastructure capacity with demand, they have moved massively to the cloud. With a premise-based solution, adding capacity to handle demand fluctuations is costly and time intensive. What's more, incurring delays and large costs can generate business failure. Cloud software delivery avoids all of these pitfalls while delivering the benefit of not being required to purchase extra capacity, which is often wasted outside of peak demand periods.

Natural disasters provide some of the most vivid examples of cloud contact center software making the difference between service success and failure. For example, when Hurricane Sandy struck, New Jersey 2-1-1 was flooded with nearly 90,000 calls for assistance with information regarding shelter, food assistance, and affordable housing during the storm.

Having a cloud contact center solution in place made all the difference. First, the storm knocked out the T-1 for 3 weeks, therefore calls would not have been possible to take had NJ 2-1-1 not adopted a virtual contact center via Five9 the year before. In fact, the Five9 system performed flawlessly. On the second day of the hurricane, NJ 2-1-1 decided to dispatch 30 percent of inbound calls to Palm Beach 2-1-1 in Florida, then increase or decrease the flow as needed. In the following days, it also routed calls to Vermont 2-1-1, a second NJ 2-1-1 center, and the 2-1-1 service in Houston.

To meet demand, additional software licenses and phone lines were also needed. The contact center manager was able to call Five9 and add the additional capacity within hours. With the previous premise-based technology, acquiring this capacity could have taken weeks.[10] Success stories such as this are motivating an ever growing number of contact centers to move to the cloud.

6 Ease of Integration and Customization

In the initial years of the cloud contact center software market integration and customization, capabilities were limited, and this served as an inhibitor to adoption. In the past two to three years, this capability has improved dramatically, as cloud-based solutions are installed in larger and more complex environments and vendors now support integration with third-party and client applications. Additionally, integration to cloud- based Customer Relationship Management (CRM) applications such as Saleforce.com and Netsuite is commonplace for vendors in the segment. Currently, cloud contact center software vendors offer standards based Application Programming Interfaces (APIs) and robust web-based interfaces, which make it simpler to integrate with third-party applications than via a premise-based solution, which may have a complex Computer Telephony Integration (CTI) interface.

10 Mae Kowalke, Five9's Virtual Contact Center Saves the Day in NJ During Hurricane Sandy, TMC Net. http://cloud-based-contact-center.tmcnet.com/articles/320674, Retrieved March 22, 2013

7 Control in the Hands of the Business User

A common myth about cloud-based services is that users give up control of their operations in favor of the technology vendor. This is not the case. Cloud-based contact center services were designed with the business user in mind, in sharp contrast to premise-based solutions where IT was the initial target user, with the needs of functional business managers being added on after years of trial and error.

The model for successful cloud-based vendors is Salesforce.com, where the software offered proved so attractive to business users they request the Software as a Service (SaaS) contract be initiated and continuously renewed. This has shaped the way vendors in the space design interfaces. Cloud-based contact center solutions allow functional managers the ability to administer across different product modules. Hence, they are able to set up and alter IVR, call flows, and routing strategies without turning to IT, as is often the case with premise-based solutions. These self-service capabilities allow contact center managers the ability to more precisely monitor the business.

8 IT Freed Up to Focus on Strategic Matters

Another common misconception about moving to the cloud is that IT will resist it, since the shift may put their jobs in jeopardy. Yet this assumption is also proving to be a myth. As with most new technologies, cloud computing doesn't promote a destruction of IT jobs, but rather a change in their nature. According to a survey conducted by CA Technology involving 685 CIOs, a 54% majority responded that cloud computing is allowing them to spend more time on business strategy and innovation.[11] Cloud-based contact center vendors report that their IT department customers find that moving to the cloud allows them to focus on how to support business goal instead of monitoring the infrastructure.

Freeing IT managers up from routine system maintenance allows them to focus on strategic issues, and this, in turn, elevates the role of IT. According to the CA study, "Approximately 71% who have adopted cloud computing see their position as a viable path to pursue other management roles, compared to only 44% of non-cloud adopting CIOs.[12] The end result is a tighter partnership between business and IT. IT executives are able to show their more business-savvy side while business executives are becoming more tech savvy. Plus, functional managers are empowered to handle day-to-day contact center operations.

9 Security Expertise

Some have expressed concerns that cloud-based solutions offer less security for sensitive customer data, such as credit card numbers, call recordings, financial records, and health care data. While security breaches in the public cloud have received ample media attention, the truth of the matter is customer data is not 100% safe on an enterprise premise either. In fact, there is significant evidence that it is actually safer to retain data with a cloud vendor since they specialize in providing security and are able to devote significant resources to the goal.

A cloud-based software service has executives specifically focused on monitoring security, and has trained its staff in security protocols and best practices. This allows cloud-based software providers to offer security skills beyond what any single end user, save all but the largest and most resource rich companies can possess. The results are impressive. In fact, "57% of cloud computing users feel that it actually increased their security when compared to traditional methods for computing and data backup."[13] For an increasingly large portion of the market, security serves as a driver, not an inhibitor.

11 Joe McKendrick , The Future Role of the CIO, Becoming the Boss, CA Technologies, October 2011, cited in, Forbes.com: Cloud Computing Ticket to the Corner Office? Retrieved March 22, 2013

12 Ibid

13 Source: Mimecast: Statistic cited in Amanda Marsh, 40 Stats Shaping the Future of Contact Centers, VPI Corp. Tuesday, March 5, 2013 http://blog.vpi-corp.com/blog/performance-optimization-2/40-stats-shaping-the-future-of-contact-centers Retrieved March 22, 2013

10 Catch the Next Wave of Business Process Innovation

Adoption of contact center solutions is driven by their ability to contain costs while enabling business processes that improve customer service. As stated earlier in this paper and supported by "Consumption Economics," the cloud-based delivery model forces solutions vendors to ensure that end users make use of their software capabilities to the fullest and gain maximum business benefits. With cloud software the vendor assumes responsibility for business results, measured on an incremental basis. As a result, vendors must service customers and provide ongoing support as well as partnership in addressing business process problems.[14] Failure to do this means an immediate loss in revenue.

These incentives alter the current suboptimal situation where (in what is known as a "dirty little secret of the market,") only 54% of the capabilities of an enterprise software application are used on average.[15] The trend toward using the full capabilities of software solutions is enabling the next wave of business process innovation, and this advantage is widely available to those who shift to the cloud.

The passage to the cloud is now well underway. As mentioned at the outset of this paper, cloud contact center software is growing in the high double digits, while adoption of premise-based solutions is declining. Improved business processes resulting from the cloud-based business model contribute to superior customer interactions that create brand advocates. End users that have moved to the cloud are already reaping the benefits of cost containment and improved customer satisfaction, which in turn drives customer loyalty and higher revenues. As cloud contact center software enters the phase of early mainstream adoption, those enterprises that make the shift will gain competitive advantage, while those that hesitate will lose ground.

14 Todd Hewlin, *Consumption Economics,* Keynote, Technology Services Industry Association, uploaded October 25, 2011, accessed March 22, 2013
15 J.B Wood, Todd Hewlin and Thomas Lah , *Consumption Economics, The New Rules of Tech,* 2011

About Five9

Five9 is the leading provider of cloud contact center solutions, bringing the power of the cloud to more than 1,800 customers worldwide and facilitating more than three billion customer interactions annually. Since 2001, Five9 has pioneered the cloud delivery model, helping contact centers of every size transition from premise-based solutions to the cloud. With unparalleled expertise, technology, and ecosystem of partners, Five9 helps businesses take advantage of a secure, reliable, scalable cloud contact center solution to create exceptional customer experiences, increase productivity and boost revenue. For more information visit www.five9.com.

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