

On-Demand Contact Centers Anyone?

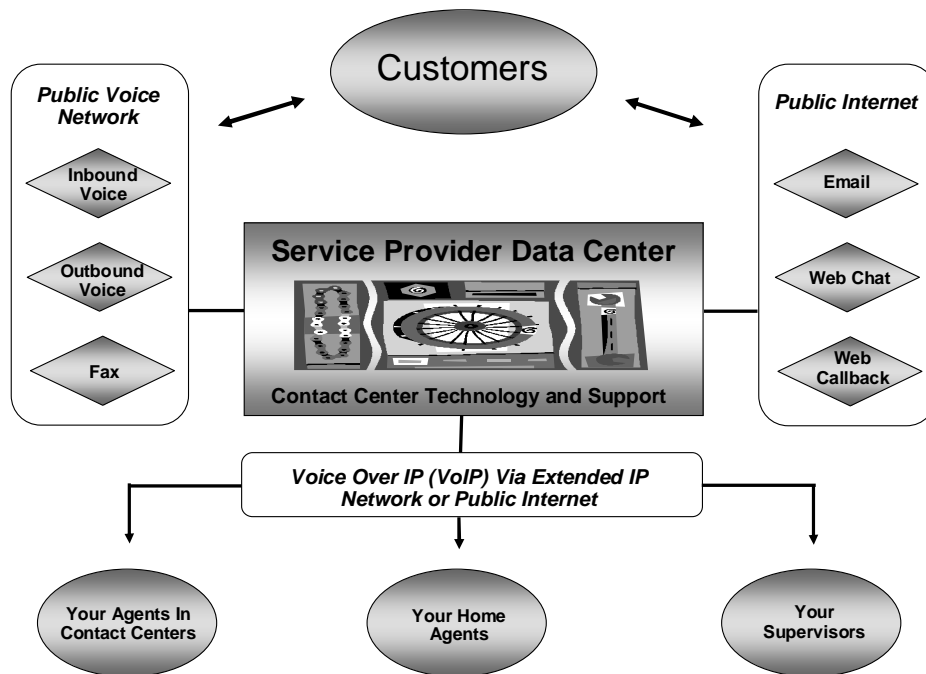
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The bulls are running on the on-demand contact center market once again. Analysts are anticipating promise, investors are opening their wallets and various flavors of new on-demand contact center services are taking flight.

On-demand contact centers offer you the ability to gain access to software functionality and IT support resources on a subscription basis, as opposed to the traditional enterprise model that requires you to purchase the solution outright, deploy the solution in-house, and support the solution with internal IT resources. Here is a partial list of functionality offered by on-demand contact centers:

- Automatic Call Distribution
- Interactive Voice Response
- Predictive Dialing
- Email Response Management
- Web Collaboration (Chat, Co-browse and Callback)
- Multi-Media Blending

Although the technology is owned and maintained (or hosted) by a specialized third party application service provider (or ASP), you still employ and manage the agents and supervisors within your enterprise. Here's what it looks like:



1. A customer calls your toll free number which is directed to your service provider's data center via the public voice network (or PSTN).
2. The customer uses the service provider's speech-enabled self-service application, but eventually needs to speak with a live agent.
3. Based on data entered by the caller, the service provider uses skills based routing to determine the best agent pool to route the call to.
4. The service provider queues the call to the appropriate pool of agents until one becomes available.
5. An agent in one of your contact centers becomes available and the service provider connects the caller with the appropriate agent endpoint (e.g. IP hardphone, IP softphone, analog phone via gateway, etc.), simultaneously popping the agent's CRM application with customer-specific data.

You may be thinking, "Hey, I've heard of this before." And yes, some companies have offered this kind of service before. The "On-demand Contact Center" (or ODCC) is a new name coined by recent entrants in the space. Here are a few companies offering these services today:

- Siebel OnDemand Contact Center (www.crmondemand.com)
- Echopass On Demand Solutions (www.echopass.com)
- Five9 Virtual Contact Center (www.five9.com)
- Contactual OnDemand Contact Center – formerly White Pajama (www.contactual.com)
- Eagle ACD (www.eagleacd.com)

So, is this just another hype wave, or will the on-demand contact center finally prove to be a viable alternative to premised-based solutions? This article discusses some of the questions about on-demand contact centers and summarizes Vanguard's perspective on the matter.

Conflicting Views and Opinions

Here are some of the issues and a summary of what we're hearing from proponents and skeptics of on-demand centers.

Why the recent surge in excitement around, and investment in, on-demand contact centers?

Proponent: There has been a significant increase in interest over the past 12 months. We believe there are a few key drivers behind this activity:

- In general, the outsourcing of technology and resources in order to focus on one's core business competency has become an acceptable and necessary business practice in North America and across the globe.
- The success of other on-demand systems in the contact center, such as on-demand CRM, has generated demand for a broader solution set which includes the contact center. Siebel introducing Siebel Contact OnDemand is clear evidence of this.
- Technology advances in the area of VoIP and enterprise web service architectures have made delivering virtual, multi-tenant contact center solutions a reality for service providers.

We expect this trend will continue as companies look to "do more with less" by replacing aging technology – much of it implemented and/or upgraded for Y2K, and which will soon be fully depreciated – with cost effective, next generation solutions. In fact, we believe the market for on-demand contact centers is poised to grow to greater than \$1B over the next three to five years.

Skeptic: This is just a new wrinkle on an old concept. The broader ASP market, which includes on-demand contact centers, is sputtering. There are still many challenges that the on-demand business model faces, especially when there are custom integration requirements. Custom integration means up front costs, which the provider has to recover either by charging the customer or by demanding long term contracts – both of which hurt the value proposition.

What profile of customer might be a good fit for an on-demand contact center solution?

Proponent: Good candidates today are small-to-medium size businesses that have already found the software-as-a-service model acceptable (e.g. customers that have deployed solutions such as Siebel CRM OnDemand, Salesforce.com on-demand CRM, etc.). In addition, any organization, large or small, that needs robust contact center functionality but doesn't have the time, money, or skills to acquire and support such technology in-house would be a good candidate. Outsourcers can also be a great fit because the on-demand model allows them to leave technology issues to specialists, and focus on what will ultimately make or break their business – the human component. As the market continues to mature, we expect more large enterprises to take advantage of these services as well.

Skeptic: Perhaps companies that have limited funding would be interested, or those who are willing to assume a higher degree of risk to minimize cash outlay in the short term. However,

the cost savings are somewhat deceiving because they typically do not factor in the need to sign extended contracts (one or more years), upgrade or re-configure the data network, customize the solution to meet the desired end-state, modify the solution over time, and provide internal IT resources required to manage the solution and interface with the service provider. There are also several CPE alternatives available today that are tailored to small and medium size businesses and offer feature rich solutions at a relatively low price point (e.g. Contact Center Express by Avaya, IPCC Express by Cisco, Enterprise Interaction Center by Vonexus – an Interactive Intelligence subsidiary, etc.). All said, there is really no compelling reason for companies to release control of mission critical technology that supports the heartbeat of their business – the customer.

What are the pros and cons of on-demand contact center solutions that should be evaluated?

Proponent: Here are a few reasons favoring using on-demand solutions:

- No Upfront Costs – solutions are web-based and require no software installs, no hardware acquisitions, and no maintenance and support costs.
- Fast, Painless Deployment – a customer can be up and running in a matter of days, not months or years.
- Predictable Expense – no longer does one have to wonder how much it is really going to cost to deploy and support a contact center solution.
- Risk Reduction and Better Use of Resources – risk and costs associated with investing in, and supporting, technologies that are constantly being outdated and/or revised are borne by the service provider, making scarce capital dollars available for other investments.
- Simplified User Interface and Integration – a simplified, universal agent desktop is provided to streamline agent interaction. In addition, pre-built CRM integration and flexible APIs reduce complexity associated with CTI integration.
- Business Owner Empowerment – this provides an alternative model for organizations that feel their support needs are not adequately addressed by internal IT application team(s).

Skeptic: And here are some reasons to be cautious:

- CTI is Likely Not As Easy As Advertised – some providers claim it is easy to deploy CTI using “pre-packaged” solutions. That really depends on the installation and the specific customer circumstances. For example, if customers want to link to their existing, on-premise CRM system, custom development work is likely needed. In addition, new complexities are introduced when moving to a service provider model. Delays will be introduced when agents access remote systems over a browser interface across a network. These may cause additional stability issues for screen pop or softphone functionality (e.g., softphones becoming out of synch with IP hardphones). Make sure to consider CTI issues when analyzing total cost of ownership, and assure that service providers will guarantee CTI reliability and speed.
- Limited Functionality and Integration – although prices advertised are attractive, make sure to consider the total cost of ownership associated with configuring and customizing solutions to meet your specific business needs (both internal and external costs). Too frequently, at least some custom configuration and development work is required to reach

the desired end-state. Define requirements for that end-state upfront, including acceptable service levels, especially when signing a multi-year contract.

- Ability to Make Changes – understand how much flexibility you will have to make enhancements to your solution as your business changes. You will be one of many tenants on a larger technology platform and, therefore, will have limited system management capabilities. Be sure to fully understand the impact of internal and external costs associated with modifications – especially how much it will cost for the service provider to make a change on your behalf.
- Impact to Data Network – the impact to your data network must be well understood. There could very well be significant costs associated with upgrading and/or configuring your network to support the solution. In addition, you will require the support of IT to successfully deploy and maintain a service based solution. Make sure this is well understood and accounted for.
- No Migration Path to In-House Solution – one of the major flaws in the on-demand contact center model is that there is often no migration path for customers should they choose to bring the technology in-house at a later date. As mentioned before, many of the service provider solutions are multi-tenant in nature (allowing them to scale cost-effectively) which makes it very difficult to migrate individual customer solutions back into the enterprise. This means that as your small business grows you will likely be forced to make a forklift upgrade when you decide to bring the technology in-house.

In summary, there is much to consider before making the leap to a service provider solution. And, all things considered, it might actually end up being cheaper over the long haul to bring the technology in-house from the start.

What is the promise of On-Demand Contact Centers?

Proponent: On-demand contact centers will enable businesses to better meet their overall objectives by focusing on core competencies. Acquiring, customizing, and supporting contact center technology can be costly and time consuming. Outsourcing this function lets companies focus on areas that will differentiate them from the competition, and may be much more cost effective. The market is beginning to discover this and the future of on-demand contact centers is very bright.

Skeptic: Some companies, within a narrow range of requirements, will find this an effective near-term answer, but many more will want to have hands-on control over the systems that support their contact centers.

Vanguard's Perspective

In past years, the ASP model hasn't worked well in most contact center applications. Now, changes in business and technology drivers, such as VoIP, may make on-demand contact centers increasingly attractive. VoIP enables centralized control while making a contact instantly and cost-effectively accessible to any endpoint on a network.

Maybe that explains the recent surge in excitement. However, mainstream customers will still need to get comfortable with the concept of outsourcing their contact center technology.

If you are considering the on-demand model, document your requirements and evaluate the following issues:

- Breadth of Functionality – how comprehensive is the solution offering? Does it meet my business needs today and in the future?
- Easy of Deployment – what will be required to get me up and running?
- Reliability and Scalability – how reliable is the solution and will it scale to meet my future needs?
- Voice Quality and Security – can an acceptable level of voice quality and security be guaranteed?
- Cost Effectiveness – what is the true total cost of ownership for the solution over the planned period?
- Flexibility of Terms – what time commitment options are available and can my seasonal needs be addressed appropriately (e.g. so I don't have to overbuy during slow periods)? Can I pay on a transactional basis?
- Service Level Commitments – what kind of service levels guarantees and fault remedies are available? Will the service provider stand behind their commitments?

And, finally, be sure to address issues raised by the Skeptic, to avoid any surprises.

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