



Executive Guide to Cloud-Based Contact Centers

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Executive Summary

Contact centers are the primary customer touch point for companies of all sizes. Whether a contact center is a formal operating environment with as few as 50 or as many as 20,000 agents, or an informal one with 3 to 20 employees handling inside sales, appointment scheduling, reservations or technical support, it is the department that customers reach out to when they have a question, problem, or need to place an order. It is also the organization that reaches out to customers proactively, to build and enhance relationships.

Service is the most significant differentiator in today's business world, where customers view most products and services as commodities. Customers have strong opinions about the importance of service, and do not hesitate to share them through a variety of solicited and unsolicited communication channels. Companies that do not listen to the voice of the customer (VoC) and do not address their customers' needs risk losing business and revenue, as well as their reputation. Excellent customer service and support is no longer an option; it's a strategic imperative.

All contact centers – inbound, outbound or blended – whether simple or highly sophisticated, use a blend of people, process and technology to identify and address customer needs and wants. This white paper explains the purpose, value and benefits of cloud-based contact centers, their core functional capabilities, standard architecture, and the key performance indicators (KPIs) required to manage them effectively.

What is a Contact Center?

“A contact center is a multi-channel (phone, chat, SMS, Web, social media, fax, video), multi-purpose organization that serves a variety of constituents (customers, prospects, investors) in a logically consolidated, but physically disaggregated environment.” (Source: Gartner) Contact centers can be formal or informal. The terms call center and contact center are often used interchangeably, although they have different meanings. Call centers handle calls only; contact centers can handle inbound, outbound or blended transactions, and are intended to be multi-channel organizations, although this remains an area of great opportunity for the market.

A contact center may be part of a small business, consisting of a website for receiving orders and a few phones to help customers with their inquiries. At the opposite extreme, it may be a sophisticated operating environment that employs thousands of people and uses more than 40 types of technologies and

applications. Increasingly, contact centers are virtual, meaning that they have more than one site and likely have agents working from their homes. Contact centers perform many functions, including customer service, sales, inside sales, technical support, internal help desk, field service and dispatch, collections, fraud, fundraising and human resources.

No matter their type or size, contact centers need technology and applications to facilitate the handling of customer interactions and to ensure that all customers receive a consistently high level of service, regardless of the channel in which they interact.

Cloud vs. Premise-Based Contact Centers

There are two primary ways to acquire contact center solutions, premise-based or in the cloud. (There are many terms used for cloud-based contact center infrastructure solutions, including hosted, software-as-a-service (SaaS), communications-as-a-service (CaaS), platform-as-a-service (PaaS), or even managed service.) With a premise-based solution, the customer buys the system and typically installs it at their site. The buyer makes a major capital outlay, which is depreciated over the life of the asset – five years in the United States. The customer pays an annual maintenance fee, typically 18% to 22% of the cost of the license, and is responsible for maintaining and updating the hardware and software.

With a cloud-based solution, users essentially lease (or rent) it on a monthly or annual basis. They pay an ongoing usage fee that comes from their operating budget, and depend upon the vendor to upgrade and maintain the hardware and software. Figure 1 lists the most common benefits of using a cloud-based contact center infrastructure solution.

Figure 1: Benefits of a Cloud-Based Contact Center Solution

Conserves cash; no capital investment and low start-up/implementation costs
Relatively small monthly payments come out of the operating budget instead of the capital budget
Generally has a lower total cost of ownership than a premise-based solution
Vendor is responsible for system installation, implementation and ongoing maintenance

Rapid implementation – users are generally up and running in 1 day to 3 weeks with a full-featured implementation

Solutions can be right-sized for small, mid-sized and large contact centers

Easy to scale up and down

Browser-based offerings require little on-site technology

Investment protection: the vendor is responsible for upgrades, and there are no additional costs

Vendors release new functionality more frequently than premise-based providers; this can be used to achieve a strategic service advantage

Ongoing technology refresh can be done without forklifts or major disruption to the operating environment

Reduces internal IT support costs, eliminates need for IT staff and related management overhead (indirect cost allocations)

Eliminates hidden support costs, e.g., data center real estate (for servers), power, cooling costs, systems administration, database administration, help desk, change management, etc.

Handles virtual and geographically dispersed locations

No (or little) incremental network costs or application expertise required to support multiple sites and at-home agents

Reduces the time and complexity of opening additional contact center sites

Standardized functionality and best practices are easily implemented across departments or the entire enterprise

Simplifies disaster recovery/contingency planning, testing and implementation

Users are not locked into a long-term capital investment, and can negotiate a flexible contract

Source: DMG Consulting LLC, February 2013

The cloud-based business model lets companies acquire functionally rich contact center solutions without a large capital investment or long-term commitment. These solutions are also highly scalable and give users ongoing technical support and access to innovation and upgrades at no additional cost. Ease of provisioning, a reduced maintenance burden, and the opportunity to try it before you buy it make cloud-based contact center solutions attractive as a low-risk alternative to on-premise licensed applications. Depending on the needs of an enterprise and the length of time they want to use a cloud-based solution, the financial and operational benefits can be significant.

However, it's also important to take into consideration the trade-offs that come with cloud-based contact center infrastructure solutions. The primary risk is that the end user is dependent upon a third party, the cloud-based vendor, to deliver their contact center capabilities. This risk is often mitigated by the harsh realities facing many companies today: Their internal IT resources are stretched too thin to provide the support that many contact centers require, and managers cannot afford to wait days for IT to get around to making a change to the system. While the risks and trade-offs vary by organization, cloud-based solutions are not suited to every environment, for the reasons shown Figure 2.

Figure 2: Reasons Not to Use a Cloud-Based Contact Center Infrastructure Solution

The user is dependent on the cloud-based provider to address their security and day-to-day operational needs
The service provider may not be as responsive as an in-house team, and it may take days to make simple changes
The client depends on the vendor to implement new features
Prospects must find a service provider capable of meeting the organization's requirements and possessing contact center expertise
Hosting for an extended period of time, approximately 3 to 4 years, is likely to result in a greater cash outlay than if the solution were purchased outright, if the costs of system upgrades and operations are excluded from the analysis
It may be costly to terminate a long-term contract before it expires
Not all of the applications are as functionally rich as the leading premise-based offerings

Quality of service, cost and speed of enhancements are subject to changes in the hosting vendor's financial position or business strategy
The hosting vendor may not have the depth of technology expertise needed to "push the technology envelope" into the new value-added areas required to maintain a competitive service advantage
The hosting vendor may not be willing to support unique requirements
It may be challenging to integrate the cloud-based solution into the existing operating environment
Back-ups are no longer under the client enterprise's direct control

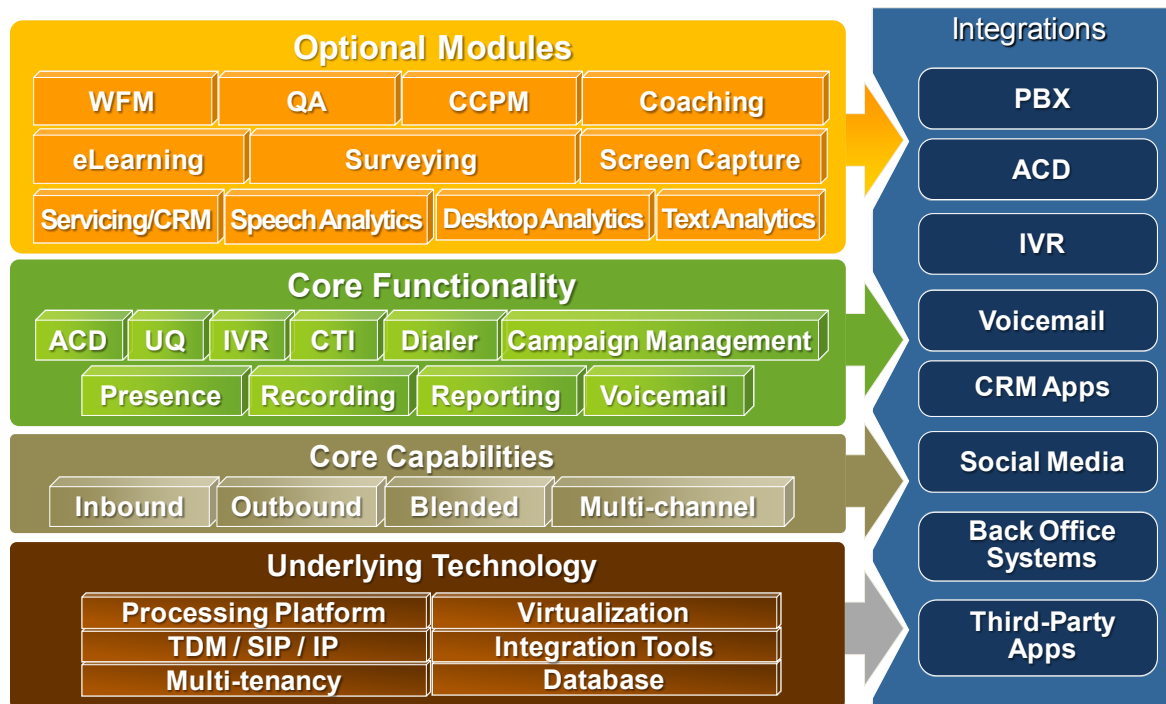
Source: DMG Consulting LLC, February 2013

Cloud-Based Contact Center Infrastructure

The standard cloud-based contact center infrastructure solution comes with the ability to handle multi-channel inbound, outbound (preview, progressive and predictive), blended, email, chat/IM, SMS and, increasingly, social media interactions. Most of these solutions are based on multi-tenant architectures, although some of them use virtualization to support multiple clients. All cloud-based contact center solutions should support time division multiplexing (TDM), Internet protocol (IP) and session initiation protocol (SIP)-based transactions. Increasingly, contact center solutions are also coming out-of-the-box with standards-based connectors that enable integration with premise-based, cloud-based, home-grown and third-party applications. Most cloud-based contact center infrastructure solutions are built using a services-oriented architecture (SOA) to facilitate integration and ongoing research and development (R&D).

Figure 3 provides a detailed view of contact center applications available in the cloud. Few cloud-based contact center infrastructure vendors deliver all of these capabilities as part of their core offerings. However, end users can integrate third-party cloud-based applications with either a premise-based or cloud-based contact center infrastructure solution.

Figure 3: Cloud-Based Contact Center Solution



Source: DMG Consulting LLC, February 2013

Core Cloud-Based Contact Center Functionality

End users are looking to cloud-based providers to help simplify their operating environments. They are expecting their vendors to provide most of the functionality that they need to operate a contact center. This includes the core functionality in Figure 2, as well as an increasing number of optional modules, but minimally workforce management (WFM), quality assurance (QA) and coaching. Over time, the cloud-based contact center infrastructure vendors are expected to deliver most of these capabilities, many of which will be provided through partnerships.

The standard core functional components of a cloud-based contact center solution are:

ACD: Used by inbound contact centers to manage the flow of incoming calls by routing and queuing them to the most appropriate agent.

Interactive Voice Response (IVR): Self-service voice tools that automate the handling of incoming customer calls. Advanced IVRs use speech recognition

technology that allows customers to interact with them by speaking instead of pushing buttons on their phones.

Computer Telephony Integration (CTI): Software that connects the ACD to the servicing application (customer service, customer relationship management (CRM), sales, collections, etc.), and looks up or records information about each customer. At the most basic level, CTI delivers a “screen pop,” bringing up a customer’s account on the agent desktop when a call is delivered.

Voice Messaging: Application that allows users to create, exchange, and retrieve voice messages for specific individuals and/or groups, using a standard telephone device.

Presence: Provides real-time status information about the availability of each person in the network, as well as their preferred method of communication (phone, email, chat, video).

Universal Queue (UQ): Application used to integrate interactions from multiple communication channels (voice, email, chat, fax, etc.) into a single queuing environment to provide standardized routing, queuing, reporting and management. (UQ applications are provided as advanced features of ACDs.)

Dialer: Application used by outbound contact centers to fully or partially automate the process of dialing customers or other people who have given their permission to be contacted. Dialers that have three primary modes of reaching customers – predictive, preview and progressive dialing – improve contact rates.

Campaign Management: Application that is used to design, schedule, execute and manage dialing campaigns. Campaign management systems are also used to analyze campaign effectiveness.

Recording: Applications used in contact centers to capture interactions between customers and agents. Recording systems also capture agent desktop activity, which is known as screen recording. Recorded files are stored in databases for security, retrieval and playback.

Reporting: Tools used to track and manage the performance of agents, teams, the department, applications and processes within the contact center. Reports are presented in narrative, graphical or tabular formats. Reports can be created on a historical or real-time basis, depending on the data collected by the contact center applications.

The Expanding Role of Contact Centers

The role of the contact center is changing – companies can no longer afford to simply respond to incoming customer interactions. Empowered by new applications, contact centers are going beyond their original charter of being the “problem-solving department” or outbound sales organization, and are now taking a proactive role in activities that yield significant benefits to the enterprise and its customers.

Providing an outstanding customer experience is the top objective for many companies in the United States and, increasingly, around the world. But contact centers are positioned to do so much more, because customers freely share their needs, wants, ideas, and other information when they call, email or chat with agents. Contact centers that can capture and leverage this highly valuable data via their CRM/servicing systems, surveying/VoC, speech or text analytics, or analytical applications that structure and convert customer conversations into metadata, will attain a competitive advantage over organizations that continue to conduct business as usual.

As the primary customer touch point, contact centers convey the voice of the customer to the enterprise. As importantly, contact centers provide a means for the company to communicate with and enhance their relationship with customers. The emergence of unsolicited communication channels and social forums, such as blogs, wikis and bulletin boards, which are as accessible to the public and media as they are to companies, is altering the service landscape and presenting companies with an unprecedented challenge: managing customer opinion in a public forum. Contact centers are well suited to oversee and respond to these new media, as these channels are just alternative ways for them to interact with the public.

Converting Service Organizations into Revenue Generators

Given the amount of information that customers share with agents when they call to ask questions, contact centers are ideally positioned to generate incremental revenue. Within the next 5 to 8 years, contact centers are expected to become one of the most significant revenue-generating departments in many companies. But enterprise executives and contact center management must overcome many challenges to achieve this essential corporate goal. A basic issue is teaching the service staff how to sell. We all know how annoying it is to call or email an organization with an inquiry, only to be confronted with unwelcome offers. Leading companies will use emerging servicing and analytical solutions, such as predictive analytics and real-time guidance, to identify sales opportunities and use them to enhance the customer experience, and possibly to retain customers.

Role of Contact Centers in Customer Retention

The best loyalty programs proactively analyze customer behavior on an ongoing basis in order to identify and address at-risk customers before they defect. However, when a loyalty program is unsuccessful, it is usually up to the contact center to “save” the customer. Effective customer retention programs are enabled by CRM and analytics solutions. Formal and informal contact centers need these systems so that they can serve as an invaluable last line of defense for businesses of all sizes – small, mid-market and enterprise – that are threatened with losing customers to competitors.

Contact Center Benefits and Return on Investment (ROI)

It’s clear that contact centers are well positioned to contribute to many important enterprise goals, including delivering an outstanding and differentiated customer experience, improving productivity, generating revenue, and retaining customers. Contact center infrastructure solutions yield both hard (quantifiable) and soft (real, but difficult to measure) benefits. Examples of hard benefits are reduction in staff, increased revenue and decreased cost of sales, reduction in call volume, or shorter average handle times. Soft benefits include reduction in hiring and training costs, reduction in agent attrition, improved regulatory compliance, improved customer experience, enhanced brand, etc. The soft benefits may be more significant than the hard ones, but they are often difficult to quantify.

Top Contact Center Key Performance Indicators

Contact center managers receive many reports about the performance of the different systems and processes used in their department, as well as information about their agents. Too often, contact centers have no way to systematically measure and communicate how well departmental and corporate objectives are being met and to identify where change is required. Managers generally have lots of data and metrics, but lack the fundamental information needed to manage their operating environment. Contact center performance management addresses this challenge. It gives contact center managers an analytical framework for determining if and where process improvement is required, and provides the management tools for making changes when necessary.

KPIs for Measuring Contact Center Performance

Contact centers often have dozens of key performance indicators and metrics to measure various aspects of their performance. Key performance indicators can be broadly divided into the following categories:

Productivity – measures the volume of interactions and time required to process them by the contact center and each agent. Example productivity KPIs are: total volume of calls received and handled, average talk, wrap/work and handle time, contacts per hour, cost per transaction type, etc.

Effectiveness – measures how well each agent performs their function, and includes the following KPIs: average speed of answer (ASA), service level (SL), abandonment rate, first contact resolution (FCR), agent occupancy rate, response time, and more.

Quality – measures how well agents adhere to internal policies and procedures. These metrics include: quality assurance evaluation scores, number of complaints, error rates, compliance scores, etc.

Customer satisfaction – measures customer satisfaction with products, service and agents. Traditionally, customer satisfaction was captured by asking customers via surveys. The common KPI is raw survey results or Net Promoter Score (NPS). Today, customer satisfaction is also derived from speech analytics.

Revenue – measures the performance of agents in selling new products or services or in collecting money owed to the organization. Common revenue-oriented KPIs are: average gross revenue per agent or per agent per hour, conversion rate, insurance penetration rate, dollars collected per agent or per agent per hour, promise-to-pay per agent or per agent per hour, etc.

Figure 4 provides a list of the KPIs most commonly used to measure contact center performance, and their relative importance. The data in Figure 4 comes from a benchmark study where contact centers around the world were asked to list the KPIs that they were using to manage and measure their contact center's performance.

Figure 4: Top 15 Contact Center Key Performance Indicators

1	Service level	85.4%
2	Abandoned call rate	81.6%
3	Average speed of answer	79.6%
4	Agent average talk time	68.9%
5	Number of calls/emails/chats handled	61.2%
6	Average wait time	60.2%
7	Number of calls/emails/chats offered	59.2%
8	Agent occupancy rate	57.3%
9	Agent schedule adherence	54.4%
10	Agent average work or wrap time	53.4%
11	Average hold time	51.5%
12	Agent average call/email/chat handle time	48.5%
13	Customer survey satisfaction score	48.5%
14	Average call/email/chat QA score	44.7%
15	Agent attrition rate	41.7%

Source: DMG Consulting LLC, February 2013

Key performance indicators vary based on the channels supported; for example, if a contact center handles social media interactions, it will need a specific set of KPIs to ensure that their goals and customer expectations are being met. A few of the KPIs that are being used to track and measure the volume and service level of social media customer service transactions are: abandonment rate, applicable volume, average handle time, average speed of response, escalation rate, first post resolution rate, flush rate, etc.

Similarly, if an organization is using a cloud-based contact center infrastructure solution, they need metrics that enable them to assess the performance of their vendor on an ongoing basis, as the vendor's performance drives the service quality that the enterprise can deliver to their customers. Examples of KPIs used to evaluate the performance of contact center infrastructure providers are: availability, mean opinion score (average voice quality), call blocking rate, vendor capability and provisioning time frames.

Final Thoughts

Contact center infrastructure solutions are essential business tools. They enable enterprises to cost effectively build and maintain relationships with their customers. Whether a company employs hundreds of agents in a formal contact center, depends on teams of people who take orders or make appointment in an informal environment like a doctor's office, or uses at-home resources, contact center infrastructure makes it possible for organizations to achieve their business goals.

Cloud-based solutions are changing the dynamics of the contact center infrastructure market. When these solutions were first introduced, their value proposition was that they would democratize the service world by making sophisticated customer service systems available to companies that could not afford the significant start-up and ongoing maintenance costs associated with a typical premise-based solution. This benefit remains, but it has been greatly augmented, as enterprises of all sizes now view cloud-based contact center infrastructure as a way to free themselves from the burden of maintaining specialty hardware and software, allowing them to concentrate on service quality and providing a differentiated customer experience. DMG encourages any company looking for a new contact center solution to add cloud-based providers to their selection process. Even if a cloud-based solution is not ultimately chosen, including these applications in the selection process greatly expands the options, and gives prospects a chance to see what's new in the market.

About Connect First

Connect First is an award-winning SaaS telecommunications and [cloud contact center software](#) provider that focuses on customer satisfaction and elegant hosted solutions. Connect First offers a robust platform, designed and supported by a team of highly experienced engineers, designers and business analysts, and backed with personalized in-house customer care. Solutions include Cloud Routing, Inbound ACD, Outbound Dialing, Call Tracking, Interactive Voice Response (IVR), Voice Broadcast, Disaster Recovery, Predictive Dialer, Real-Time Telemetry, CDR Reporting, Live Agent Chat and more. Through a consultative approach with each customer interaction, Connect First builds customized solutions to meet the needs of a discerning customer base. Visit our website at www.connectfirst.com or call 888-965-1588 for more information or to arrange a free [consultation with a contact center solutions expert](#).

About DMG Consulting

DMG Consulting LLC is an independent research, advisory and consulting firm that provides strategic and tactical advice to contact center managers, vendors and the financial community regarding the contact center, analytics and back-office markets. Our mission is to help clients build world-class contact center and back-office environments by leveraging technology, processes and people. We provide insight and guidance to assist management in optimizing performance by increasing operational efficiency, providing an outstanding customer experience, enhancing loyalty, and increasing sales and profits. DMG devotes more than 10,000 hours annually to researching various segments of the contact center, analytics and back-office markets, including vendors, technologies, best practices, solutions and their benefits and ROI. More information about DMG Consulting can be found at www.dmgconsult.com.

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