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Cloud-Based Call Centers

Setting New Standards in Capability

We don't want to start this white paper with details of what call centers do and what they do not do. Most of you know all about that already. So, we desist.

The entire point of the next few pages would be to discuss how your call center can become more efficient, your return on investment can become greater and how your clients can be happier – not necessarily in that order. Like we said in one of our earlier white papers – if in a certain situation, smoke signals work best, then use smoke signals. The important point is getting the message across and improving customer satisfaction.

With the focus purely in customer satisfaction and the benefits to the business, this is what this white paper will discuss –

Contents

What Does Customer Churn Do to Your Business? 2

Clud-Based Call Centers Reduce Customer Churn 4

Good Candidates for Cloud-Based Call Centers 8

How Businesses See Cloud-Based Call Centers 8

Unintended Benefits of Cloud-Based Call Centers 9

Integration with other Business Applications 11

Some Final Points 12

Appendix - Selecting Your Vendor 13

Major Vendors 14

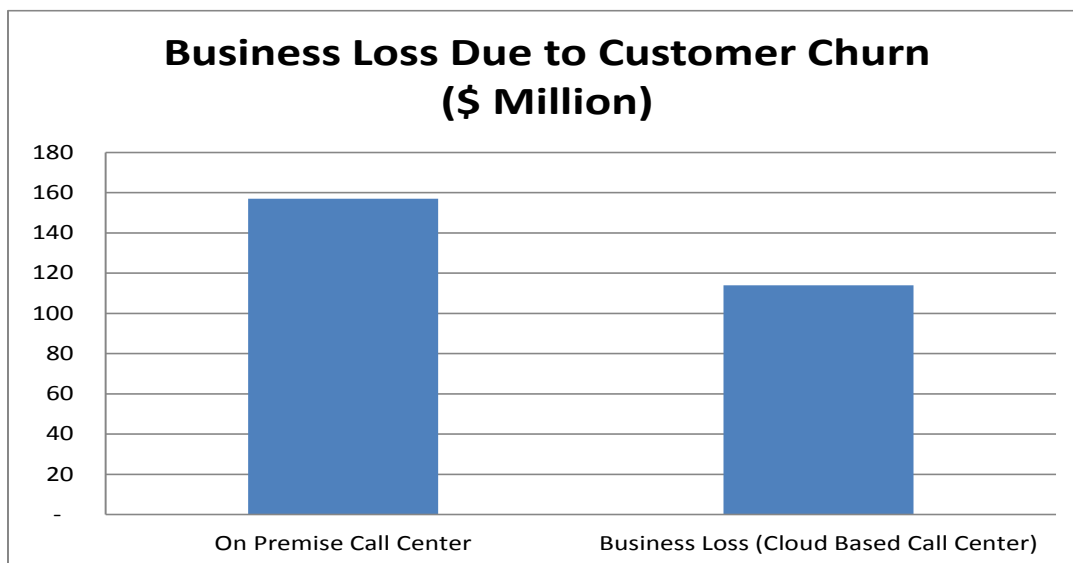
References 16

What Does Customer Churn Do to Your Business?

Consider the following example¹. An average call center receives about 2.5 million customer calls a year. A typical premise-based call center has a call abandonment rate of 6.2%. This means that 155,000 calls are abandoned over a year with the customer simply hanging up. If just 10% of these lost calls result in you losing a customer, and each such loss represents business worth \$10,000. Then you stand to lose $15,500 \times 10,000 = \$155,000,000$. That's right; companies can lose up to \$155 million just due to bad call center performance alone.

Enough data has now been accumulated about the abandonment rate of cloud-based call centers. The figure averages 4.5%. If 6.2% in the example in the previous paragraph is replaced by 4.5%, lost business attributable to customer churn reduces to \$112.5. This means a net \$42.5 million improvement in your bottom line.

Faced with figures such as this, which business would refuse to take a very close look at cloud-based call centers?

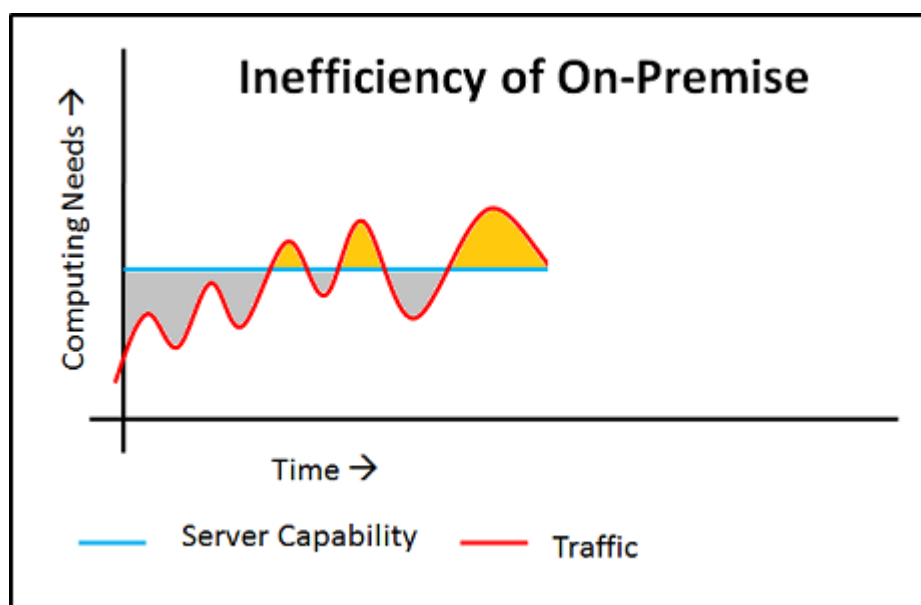


Cloud-Based Call Centers Reduce Customer Churn

Many people wonder how shifting to the cloud should reduce your call drop rate, after all the same people still man the phones.

This question is best answered by understanding the principle behind automatic resource provisioning. This is a standard feature of cloud-based systems. How does it impact call center performance?

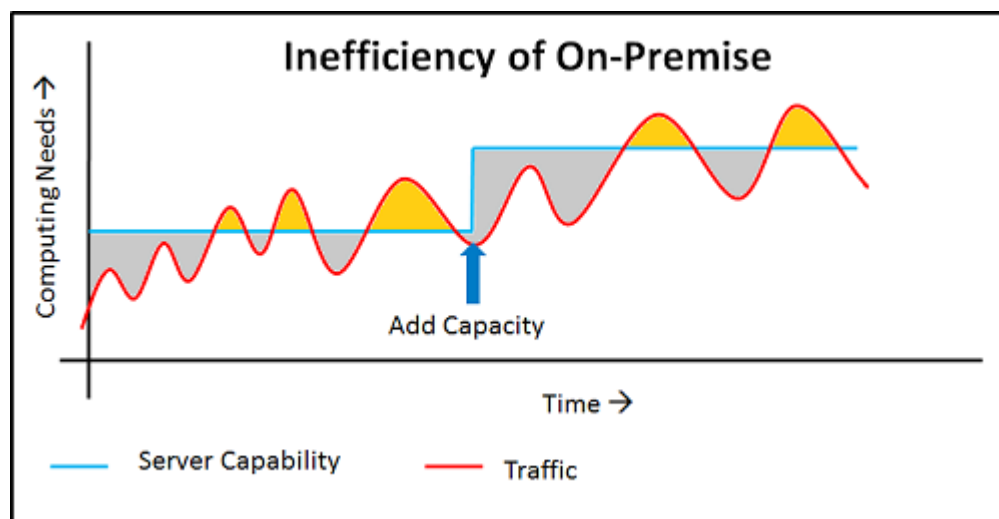
If a company has an on-premise call center solution, there will be a finite number representing the maximum number of calls per hour that the system can handle. Let this be x . When this is first set up, it would have been planned to cater to the expected traffic load and leave some slack for expansion. This means that the system would be partially underutilized. If this were to be graphed, this would look like the graph above – optimum server capacity is represented by the horizontal blue line (remember it is fixed). The wavy red line represents traffic that (we hope) is gradually increasing with time.



The area shaded grey is where capacity is greater than demand and this represents under-utilization. The areas shaded orange represents the space where traffic is greater than capacity and hence represents a potential loss of business.

After some time passes (and customer complaints accumulate) it is decided to upgrade capacity. The resulting situation is shown in the next figure –

You have excess capacity for some time and if your business continues to grow, you find yourself short of capacity once again after a few months. In fact, no matter what you do, you will either be inefficient or be losing business.



This is not a good way to run your business. Customers who happen to fall in the orange zone shown above will get a busy tone, or music and many of them will eventually go away. This is one way companies lose money.

When you use a cloud-based solution, one of the basic premises is that getting capacity on demand beats fixed, forecasted capabilities.

We know how cloud-based systems work. As queues increase beyond a predetermined number, you can hire additional lines being made available to engage customers with the interactive voice response system that in many cases is adequate to resolve issues. As the queue shortens, the lines are surrendered back. In this scenario, capacity and demand have a much closer relationship. As demand rises, so does the capacity and there is a very small gap between the two. The result – queues are short, fewer customers leave. There is lesser unnecessary slack as well.

Case Study

A great case study³ of how an organization thrived due to a cloud-based call center solution is provided by Health Advocate Inc.

A number of experienced US Healthcare executives decided to form this company to help clients handle the clinical, legal and administrative requirements of the US Healthcare system so as to get better care and service. Today the company serves more than six million individual customers and nearly 1800 employers, unions and insurers.

The company started out with just 25 people on its staff and tracked its customers using an MS Access database. However the model proved so successful that they were swamped with work and it soon became clear that working this way would lead to inefficiencies that would kill the business itself. Customer contact and response was an essential component of the business model and hence a call center was critically required.

When the company looked for a hosted call center solution, its key requirements were –

- Manage cases better
- Handle voice, email and fax consistently to allow customers to use the medium of their choice
- Automate customer records, search and history
- Ensure compliance with HIPAA regulations on privacy of medical records

While it was clear that a call center would be required, a critical decision was whether to keep it internal or to host in the cloud. The company needed a solution that could –

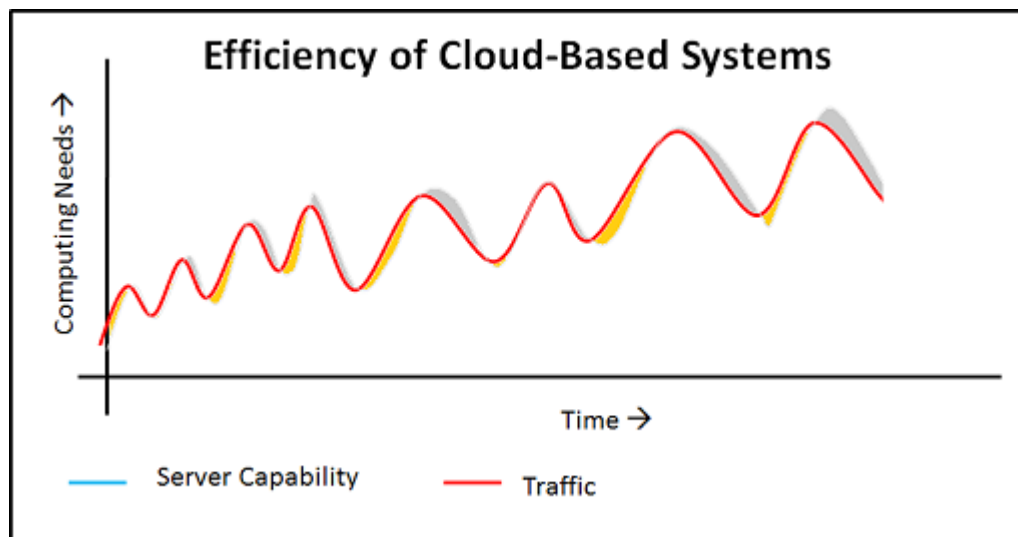
- Minimize costs and IT staff requirements (they had no IT staff and very little spare money).
- Give call center agents access to all information about a client
- Ensure voice mail and fax integration.

After ensuring that the hosted center they selected went beyond HIPAA compliance, Health Advocates selected a cloud-based solution. Here is what they have experienced –

- Software tools that minimize the need for training
- A 50% increase in productivity due to more efficient operations
- New case entry time reduction by 21%
- Customer details search takes 6 seconds instead of 3 – 4 minutes
- Remote agents ensure 24x7 availability of the call center
- Business continuity in case of a disruption is assured

Health Advocates is growing by leaps and bounds and have recently increased their call center strength by 400%.

A great example of how cloud-based systems help companies cope with a surge in demand was given by the events that occurred when the well-known web based video production site Animoto made its services available via Facebook. It experienced such a surge in demand that its server needs increased from 50 servers to 3500 in just three days. The site could cope up with the deluge simply because it was using the cloud and therefore had the wherewithal to continue expanding with the demand².



Good Candidates for Cloud-Based Call Centers

There are some businesses that are a natural fit for cloud-based call centers. Do you fit? See the list below for the kind of enterprises that can really gain from such centers –

- If you are a small and medium business that can really exploit advanced functionality (the previous case study is a great example)
- If you are seeing rapid growth
- If your business runs from multiple locations and uses multiple call centers
- If your growth model favors mergers and acquisitions
- If your staffing policies prefer to use remote agents

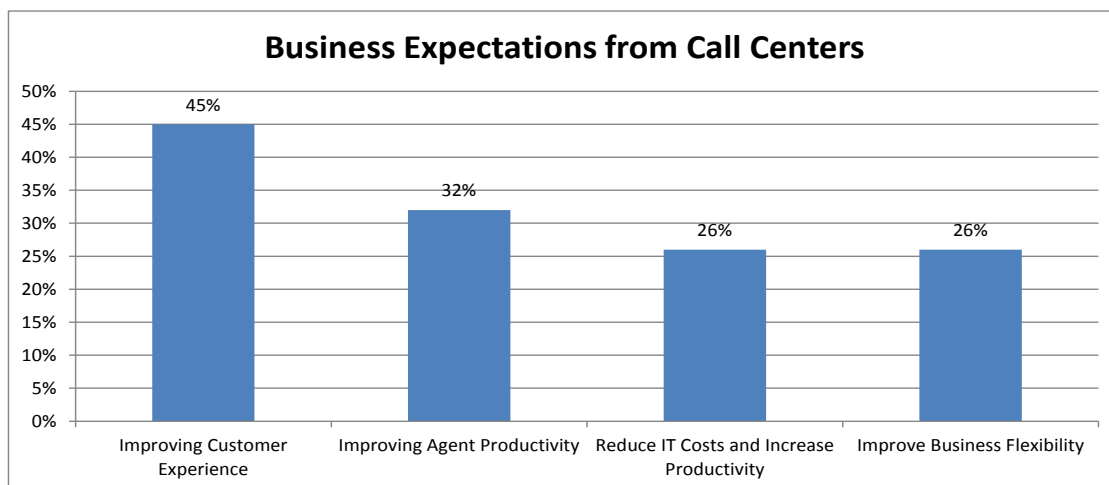
- If your business is so dependent on a reliable call center that continuity of call center operations is critical to you
- If the demand on your call center is seasonal or fluctuates considerably
- If capital is a big concern

While all other companies can gain from using a hosted call center, the ones that fit several points in the list above stand to gain the most.

How Businesses See Cloud-Based Call Centers

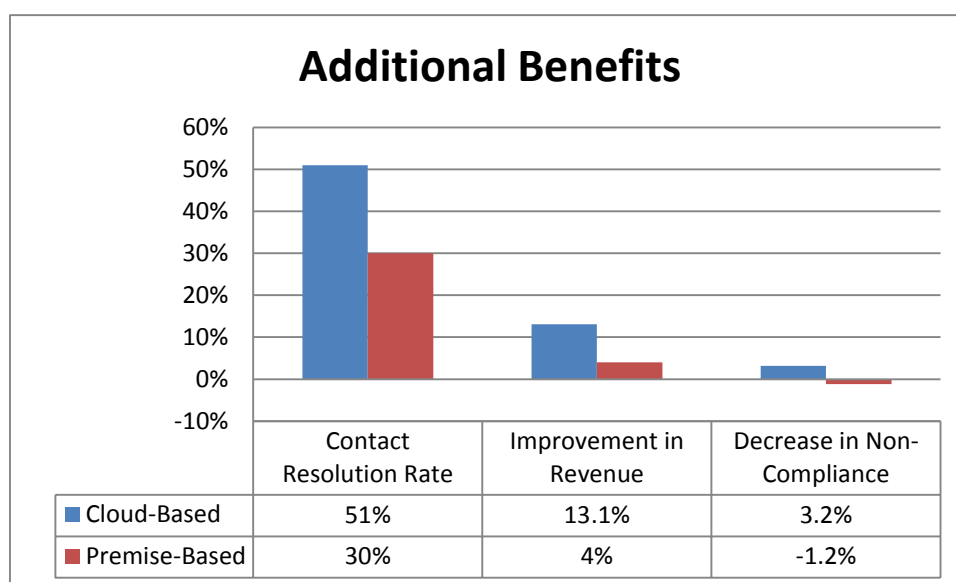
Businesses move their cloud centers to the cloud for a number of very clearly defined reasons. We have already seen how cloud-based call centers are able to closely match resource availability to demand and thereby improve both customer experience and costs. While this ensures efficiency, key business requirements are –

- Improving customer experience
- Improving agent productivity
- Reduce IT costs and increase productivity and
- Improve business flexibility



When a number of businesses were queried on the relative importance of these parameters, the undisputed number one was improving the customer experience.

Research⁴ also shows that the performance of cloud-based call centers is far better than their on-premise counterparts. Resolution of customer requirements in the first call itself is almost 20% better, there are major improvements in revenue and in compliance with corporate directions. The data is shown in the graph below.



Do notice that in an on-premise call center, there is a creeping tendency to increase non-compliance with corporate policy. People tend to take shortcuts. In a cloud-based center, the processes are more tightly controlled and this tendency is corrected. In fact there is an improvement in compliance. This aspect is highlighted in the last two columns of the graph below.

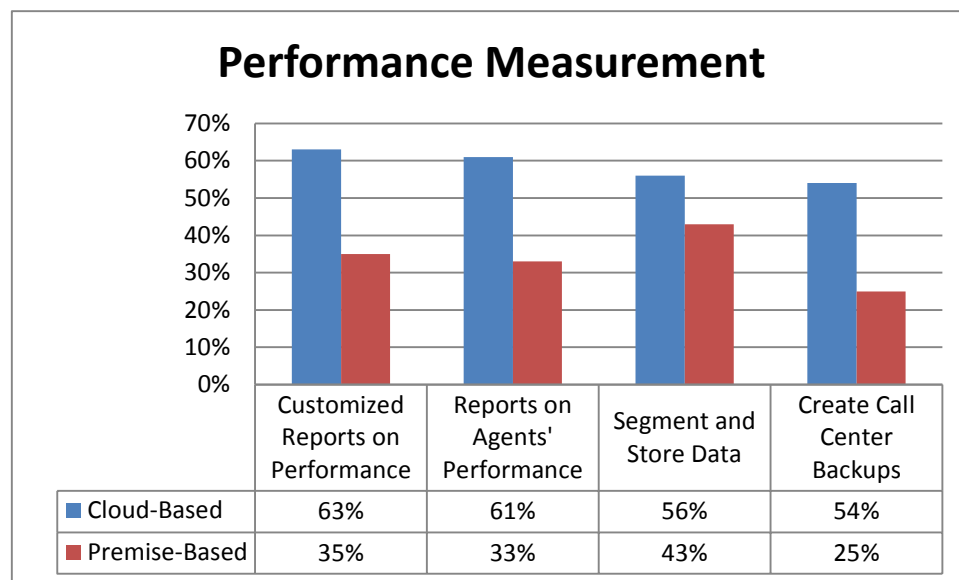
Unintended Benefits of Cloud-Based Call Centers

When companies began setting up cloud-based call centers, they did it for all the reasons mentioned above. However, it was soon realized that there is a great side effect as well.

Let us say, you are a ticketing agency and your operations have grown to a point where you need to

set up a call center to handle calls from your customers and agents. Obviously, IT is not your core competency. You do not have the expertise to use IT really efficiently to manage your operations. Going to a professional, cloud-based call center gives you access to cutting edge IT skills and call center best practices. This is something you could have never been able to afford on your own.

Since the cloud-based call center is kept updated with the latest technologies and skills, the collateral benefit to businesses is enormous. Cloud-based call centers monitor their own performance far more closely than internal call centers do. The graph below shows details –



As a result of this monitoring, a cloud-based call center is far more efficient. We have already previously discussed how cloud-based centers are more compliant, efficient and create greater revenue for the company.

The graph also highlights the greater emphasis on reporting. Since cloud-based centers are dependent on accurate reporting for their revenue from the client company, their reports are far more detailed. These details allow companies to acquire deeper insights about their business. As a result the benefits are even larger.

Since cloud-based centers store greater amounts of data about the call center activity itself, companies can forecast traffic trends better. This leads to better scheduling of call center agents and allows

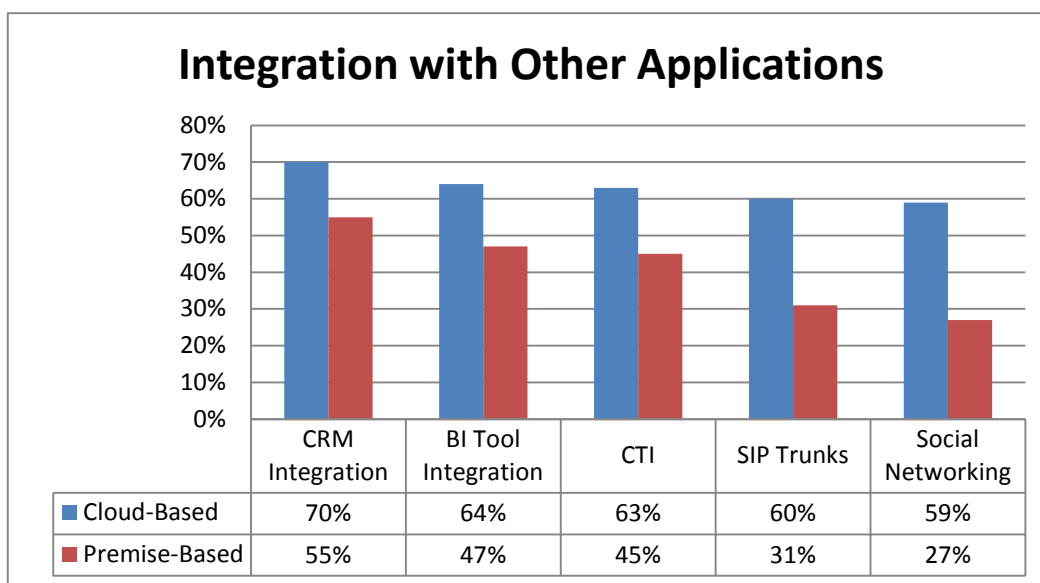
companies to analyze agent performance more objectively.

Integration with Other Business Applications

If we examine a cloud-based call center, we find that there is a razor sharp focus on security and availability. After all this is their primary job. This is sometimes not the case with internal call centers where the call center is just another activity.

Cloud-based centers will back up their data very regularly. Security is (understandably) almost an obsession and the net output is far greater availability. Many companies now take advantage of the very structured format of cloud-based centers and integrate the call center application with a large number of backend applications running in the company – whether on their premises or in the cloud itself. The major applications where this integration gives great benefits are –

- **Customer Relationship Management (CRM)** – a call center is a natural fit for integration with the CRM application. The integration helps create a single view of the customer and helps delivering a better quality of service by call center agents, sales persons and marketing staff. Everyone gains – including the customer.



- **Business Intelligence Tools** – when BI tools are integrated with the call center, business are able to understand factors and inefficient processes that increase the demands on the call center. Since the focus is on detecting flawed or inefficient processes, using the call center to discover these helps the business become more efficient.
- **Computer Telephony Integration (CTI)** – this refers to the overall integration of computer based processes with the telephony capabilities of the call center. We have already seen how this is done in the case of CRM and BI tools.
- **Session Initiation Protocol (SIP) Trunks** – this is a technology that helps integrate different means of communication together in the call center. After all, the customer could choose to contact you via voice, fax, email or IM. SIP trunks also allow companies to route calls to different call centers thereby supporting business continuity.
- Support for Social Networking is critical in this day and age. No company can ignore this. Cloud-based call centers are far more likely to manage social media inputs as compared to premise based call centers.

Some Final Points

Six out of 10 contact centers will have moved to the cloud by end 2013. This alone is indicative of the way the market thinks. Businesses are now beginning to understand that cloud-based call centers are able to focus like a laser beam on a few critical issues. These are ensuring uptime, tight security, staying at the cutting edge of functionality and ensuring that the benefits that accrue can be measured and demonstrated.

Cloud-based call centers have better qualified IT staff that is able to deliver a higher return on investment than is possible from in-house staff – particularly if your core business is non – IT.

Ultimately, it is the return on investment that matters to businesses. Cloud-based call centers are able to give an ROI that is demonstrated to be greater than that given by internal call centers. The inherent flexibility of a cloud-based system allows you to respond better and faster.

Selecting Your Vendor

Selecting your vendor is obviously not a trivial exercise. If critical components of your business are going to be entrusted to them, you need to pick your vendor with care.

Here are some of the factors that must be kept in mind –

- **Check vendor background and experience**
 - Are they experienced in call center operations?
 - Can you speak to some existing clients?
 - How many seats do they manage currently?
 - Work out the cost of operations with the costs the vendor provides
- **Technical issues –**
 - Do you need to install any additional hardware or software?
 - What bandwidth would you need to hire?
 - Who will handle integration with other applications?
 - What resources will you need to commit?
- **Service Level Agreement**
 - What up-time is guaranteed?
 - What steps does the vendor take to cut down risks?
 - How is your data segregated and protected?
 - Is there 24x7 support?
 - What disaster mitigation and recovery measures exist? How often are they checked?
- **Implementation**
 - How long will training take? What do other clients say about the training?

Appendix

- Are there any expenses and support involved in training your staff?
- How much time will it take to be up and running?
- **Data issues**
 - Will you have complete and unhindered access to your own data?
 - Can you use call center data with other backend applications?
 - What happens to your data when the contract with the vendor ends?
 - How will you integrate local and hosted data into enterprise applications?

All of the companies listed below offer 24 hour customer support, integration with CRM applications and comprehensive performance information via well designed dashboards

Vendor	Products	Hosted/ Premise	Max Users	Pricing	IVR	CTI	Call Recording	Remote/ At Home Agents	Website
8x8, Inc	8x8 Complete Contact Center	Hosted	400	Scalable based on number of users	Yes	Yes	Yes	Yes	www.8x8.com
Aspect	Aspect® Unified IP®	Hybrid	10,000 +	\$1,750 to \$3,800 per agent	Yes	Yes	Yes	Yes	www.aspect.com
Echopass	Contact Center On Demand	Hosted	10,000	Monthly per User	Yes	Yes	Yes	Yes	www.echopass.com
Five9	Inbound Call Center Outbound Call Center Blended Call Center	Hosted	1,600 +	Monthly per User & Long Term Contracts Available	Yes	Yes	Yes	Yes	www.five9.com



Appendix

Vendor	Products	Hosted/ Premise	Max Users	Pricing	IVR	CTI	Call Recording	Remote/ At Home Agents	Website
Frontrange	FrontRange Customer Service Management	Hybrid	N/A	N/A	Yes	Yes	Yes	Yes	www.frontrange.com
Genesys Labs	Customer Interaction Management (CIM) Platform	Hybrid	Capacity to route nearly one million calls	One-time payment	Yes	Yes	Yes	Yes	www.genesyslab.com
inContact	inContact Platform 2.0	Hosted	---	Monthly per User	Yes	Yes	Yes	Yes	www.incontact.com
Intelliverse	Hosted IVR and ACD	Hosted	Unlimited	Usage-based pricing	Yes	Yes	Yes	Yes	www.intelliverse.com
Interactive Intelligence	Customer Interaction Center	Hybrid	- Up to 5,000 ACD agents - 100- 15,000 business	One-time license activation fee	Yes	Yes	Yes	Yes	www.inin.com
Kana	Kana IQ	Both	---	Starts from \$200,000 depending on the number of agent seats	Yes	Yes	No	No	www.kana.com
Nuance Communi- cations	Nuance On Demand	Hosted	---	Monthly per User	Yes	Yes	Yes	Yes	www.nuance.com
Syntellect	Syntellect CIM 7.0	Both	---	Per User	Yes	Yes	Yes	Yes	www.syntellect.com
Telax	Hosted Call Center	Hosted	Unlimited	Concurrent, All Inclusive, Monthly per Agent	Yes	Yes	Yes	Yes	www.telax.com
TelStar Hosted Services, Inc.	Hosted Call Center and IVR Messaging	Hosted	10 to unlimited users	Monthly per User	Yes	Yes	Yes	Yes	www.telstar hosted.com

For further information on any of these Contact Center vendors, products, or features, please consult our [Contact Center Comparison Guide](#).

References

¹<http://www.oracle.com/us/products/applications/aberdeen-roi-cloud-contactctr-1902159.pdf>

¹A. Armbrust, A. Fox, et al., Above the Clouds: A Berkeley View of Cloud Computing, Technical Report UCB/EECS-200-28, UC Berkeley Reliable Adaptive Systems Laboratory, February 10, 2009.

³Frost & Sullivan - THE HOSTED MODEL: Why It's Revolutionizing the Contact Center Industry

⁴Aberdeen Research December 2012