

A LOOK AT CONTACT CENTER SOFTWARE AS A SERVICE

During these difficult and uncertain economic times as all types of businesses struggle with losses in revenue, ever-decreasing budgets virtually freezing capital expenditures, and in many cases the elimination of workforce, how can customer service contact centers meet the demands of their callers? These challenging times require businesses to maintain their competitive advantage or gain the edge on their peers, providing better customer service satisfaction and building stronger customer loyalty.

Many businesses - those with contact center technology which is outdated or just in need of enhancement, and those in need of contact center technology to support their business - are looking to SaaS (Software-as-a-Service) providers for the solution. A technology solution that once targeted specifically SMB companies is now arguably a viable solution for large enterprises as well. Why? What is the “hype” all about? Is it just that... hype? Or, is there a valid rationale for it? Does this solution really deliver on the high expectations?

This perspective will:

- Explore the basics of SaaS in order to provide a holistic understanding
- Explore the hype surrounding this solution and whether it's a valid rationale for the solution
- Explore key pros, cons, and other considerations
- Explore potential pitfalls to the success of a SaaS implementation

TERMINOLOGY

Software as a Service

A “multi-tenant, multi-channel, inbound/outbound routing and queuing solution for contact centers that is owned and managed by a vendor and made available to the user/tenant over the Internet.” *DMG Consulting*

Hosted/ Virtual/ On-Demand/ Outsourced/ Managed Contact Center

An excellent starting point to understanding SaaS is the basic vocabulary. However, with so much interchangeable or related terminology associated with SaaS or hosted solutions, for purposes of this perspective, it warrants a closer examination to bring the nuances to the surface.

- It is **virtual** - the assets of the contact center, agents and contact center technology, exist in physically disparate locations however function as a single, fully integrated, seamless operation.
- There are **on-demand** elements to this type of solution - the core infrastructure, technology and software components, can expand or contract relatively quickly and inexpensively to meet the challenging extremes of call volume peaks and valleys. On the other side, traditional premise-based solutions require a capital investment for the additional hardware and software needed to meet the demands throughout the year of the call peak times. Unfortunately for the remainder of the year, with premise-base solutions, excess capacity remains idle and unused.

The second facet to on-demand is the agent factor. One can have simple and inexpensive capability to expand the hardware and software, however the human resource aspect must also be considered. Outsourced, virtual, and on-demand contact centers are often used to describe a solution which leverages a SaaS solution **as well as** a workforce which may be wholly or partially not your own, but that of an outsourced provider.

- **Outsourcing** the management component is another option for contact centers. Company-owned premise- based or virtual contact centers inclusive of infrastructure, applications, and potentially even the workforce can be entirely or partially outsourced to a solution provider to manage and maintain for you. This business decision is referred to as an **outsourced or managed service**.

Hosted / Virtual SaaS Contact Center Solution Providers

Based on our research and experience of SaaS solution providers fall into three (3) categories:

- **Legacy Telecommunications Infrastructure** – Providers whose foray into this industry used their premise-based infrastructure to provide contact center workforce to companies. They then slowly moved towards leasing their technology infrastructure out to companies needing contact center capability but have not been able to rationalize the major expense and associated long-term maintenance costs.
- **Virtual Contact Center Software Application Development** – Providers who began to specifically support their large geographically disbursed contact center agent workforce that is primarily outsourced to companies. This workforce can provide a multitude of skill sets for many types of businesses and assist companies in processing peak call volumes or potentially operating in an overflow capacity. These companies too have slowly moved towards leasing their technology infrastructure out to companies requiring contact center capability for their business but for one reason or another cannot justify the investment.
- **Contemporary IP Infrastructure** – Providers specifically focused on providing contact center infrastructure and applications, the full suite or specifics, to companies needing contact center technology for their business but likely yet unable to work out a supporting business case.

When considering SaaS providers, it is important to look at a provider's whole portfolio. While the type of provider certainly can indicate on some level a provider's capabilities, alone it would be an unfair qualification. This market is changing - providers' capabilities are changing, and it would be unreasonable to assess a provider by looking at a picture of their capabilities at one moment in time. It is important to evaluate SaaS solution provider's capabilities to ensure they are able to meet the goals for your business.

SaaS Providers' Differentiators

SaaS solution providers are differentiated by their **capabilities** and their **pricing models**.

- **Capabilities** ~ Solution providers can provide a range of contact center applications - from standard scripting and reporting to complex custom developed applications, from a partial suite of applications to a full suite regardless if they support your own agent workforce or that of the solution provider. Some will focus on providing very specific contact center application(s) such as IVR self-service, speech analytics, or outbound dialing capabilities for those companies needing to enhance their contact center capabilities. There are also niche SaaS providers who focus on contact center solutions for companies within a certain industry

or line of business, or those who are outsourcers. These are not the only differentiators, but the last two to bring attention to in this brief are the fact that most SaaS providers contract with large interexchange network service providers to carry their customers' inbound and outbound traffic, while only a few have their own interexchange network service infrastructure to utilize for routing their customers' calls.

- **Pricing Models** ~ The network service infrastructure is one of the factors that solution providers must take into consideration in determining their standard pricing model. The other major factor we have uncovered that determines a provider's pricing model is the provider's business model - specifically whether or not the provider's primary focus is to provide agent workforce to their customers. The solution provider's pricing model can make a substantial difference in your financial considerations for monthly recurring charges.

SaaS pricing is commonly referred to as a "pay-by-the-drink" solution due to the fact that customers pay only for what they use, regardless of the pricing model. There are essentially two pricing models when it comes to SaaS providers' monthly recurring charges. The first is a usage-based model which encompasses per minute long distance usage charges in addition to the provider's per minute call processing fees, which range in cost based on a tiered level of usage. The second model is port-based and is priced monthly based on the average number of configured active agents (agent pricing) per week plus the average number of simultaneous ports (port pricing) used on a weekly basis within the same month. The port-based model's pricing does encompass per minute long distance usage charges, however they are much less than the usage-based solution providers' rates. Additionally, the monthly recurring charge also includes a flat rate system access charge. Based on our analysis, the port model type of pricing model can be quite favorable for the customer. Regardless of the pricing model, advanced applications such as workforce management and multi-channel contact center are offered as a flat rate monthly charge per agent. Based on our experience, call recording is included in the call processing fees of the first model or the agent pricing of the second model.

These charges do not take into account any of the one-time charges for professional services, design and provisioning, custom development, or implementation. Without question, all these charges apply regardless of solution provider's pricing model. Based on the size and complexity (systems, level of integration, custom development, etc.) of your environment, this pricing can range from approximately \$10,000 to < \$90,000.

HYPE OR VALID RATIONALE?

In order to get a feel for the SaaS rationale, take a look at past CRM Xchange contact center webinar discussions.

"Contact centers are increasingly critical to the success of mid-sized business... contact centers are at the heart of delivering quality customer service and generating exceptional customer loyalty. At the same time, the contact center is under increasing financial pressure to control costs and deliver service more efficiently."

"Contact centers are facing unprecedented pressure to automate more services to reduce costs, but not at the expense of losing customers. And they must accomplish these goals quickly and with minimal capital investment."

“Businesses need productivity gains that come with a feature-rich, secure, and highly reliable ‘big enterprise’ ... solution... internal deployment of such a solution has become increasingly complex and cost-prohibitive for many of today’s SMBs.”

In numerous articles dating back as far as a decade, to the rise of the contact center software-as-a-service trend, the main reason cited over and over again for this type of solution was accounting - shifting from CapEx (capital expenditure) to OpEx (operating expense). This really should be of no surprise – even in the good economic times of not too long ago, enterprise budgets were gradually becoming more squeezed, capital expenditures were often reassessed at decision-making time and potentially delayed or tabled, and any expense that would potentially affect share price would not even be considered. Doing business during today’s economy, all requests for project funding are filtered and scrutinized for the immediate ROI (within the 12-18 months) or are put in queue until the business sees signs of economic stability. By eliminating capital expenditure costs and minimizing the setup charges for custom development, design and provisioning, and implementation, companies are able to justify the cost of new technology solutions within the context of their operating expenses.

Justification of new technology solutions without major upfront costs allows those companies who had a difficult time supporting the Business Case for the purchase of contact center infrastructure, let alone contact center infrastructure with advanced applications, to be in a better position to build the Business Case for those technologies using a SaaS solution which will allow companies to:

- Meet business goals such as providing systems and tools to agents which will have a positive impact on agent effectiveness, efficiency, and productivity, all of which should increase customer satisfaction
- Provide consistent customer service from process, technology, and systems perspectives
- Provide national and/or global coverage using a standard process to reach the right skilled agent

Due to technology obsolescence occurring in a much shorter timeframe and coupled with today’s limited or restricted budgets, many companies find themselves in a position where current infrastructure cannot be maintained in such a manner that would allow for the expansion and/or building up of a contact center infrastructure quite easily and inexpensively. Along the same lines, organizations that have grown by acquisition and are in desperate need to look, act, and perform as a single entity, but cannot afford the premise-based infrastructure uplifts and upgrades are finding SaaS solutions as the answer. It becomes the onus of the SaaS provider to maintain the core contact center technology infrastructure and the advanced applications.

Many organizations’ IT budgets can afford only the minimal staff to address daily technical support needs and many times application development, which results in expertise gaps or resources with very limited time to focus on projects due to their role of wearing multiple hats within their organization. SaaS solutions can be the answer in addressing lacking expertise of staff, as the solutions are maintained by the provider. Prior resource intensive applications now become a non-issue as those resources become the responsibility of the SaaS provider.

In addition to being among the reasons SaaS is the answer to very real business challenges, a key success factor for SaaS providers is the fact these solutions are typically deployed in an average of 30 – 60 business days from the point of contract signature. These solutions are incredibly flexible, and they can expand and contract to accommodate monthly, seasonal, and cyclical workforce needs. The virtual nature of SaaS solutions eliminating major overhead costs related to brick and mortar can be a reality as agents can work from anywhere in the world there is a PC, high speed internet connection, and a direct dedicated line for the agent. Lastly, businesses who lack or have sub-par business continuity and disaster recovery plans in place for their contact centers now have a financially and resource sensible investment in a SaaS solution.

It is quite simple to see why SaaS solutions are of serious consideration. A majority of businesses have various, but very common challenges and SaaS solutions are extremely versatile, upfront costs are minimal, annual costs can be easily projected, and the timeframe to deploy is extremely short. This sums up why there is so much hype surrounding the solution.

PROS AND CONS

Pros

A short recap of a few benefits that were briefly mentioned:

- Minimal capital expense, low risk, rapid ROI, and high value
- Quick deployment of SaaS solution
- Minimal requirements: PC, high speed internet access, dedicated line per agent (DID, business line, cell phone, or home phone line)
- Minimal IT resources on the part of the organization required for deployment or maintenance of the solution.

The one benefit to focus on with a SaaS solution is the potential for your company to focus on your business, to focus on building customer loyalty and serving your customers in order to generate more revenue for your company versus focusing effort on building an IT organization to support your business. Let a company who has the technology and contact center expertise have that responsibility; it is the very reason they exist. Let them be the experts at what they do for a living while you focus on being the experts at what your company does.

Cons

A few disadvantages to have knowledge of when beginning the search for a SaaS solution are detailed here: (This is not intended to be a comprehensive list)

- While there are minimal upfront costs for SaaS solutions, the lifecycle costs over a three (3) to five (5) year period will likely cost more than purchasing a solution outright. This considers only the capital investment for the solution components. When upgrades and the required technical staff to maintain the solution are considered, the financial analysis becomes more leveled.
- The provider can easily become heavily relied upon by their customers. This pertains to service reliability, vendor responsiveness, and depth of technology and application expertise.

Solution advantages cannot be evaluated without weighing the impact of the disadvantages. I believe the disadvantages of a SaaS solution can be minimized by:

- Qualifying the providers
- Completing a comprehensive evaluation of the provider - their solution services, financial stability, business and pricing model which supports your project and potentially long-term business goals, successful implementation track record, and lastly the provider's satisfied references
- Negotiating strong contract terms which are fair and provide you as the customer the leverage

CONSIDERATIONS

When searching for a SaaS contact center solution there are several considerations to keep in the forefront of your mind as you evaluate providers for your organization.

- **Financial Stability** – Good business practice dictates validating the financial stability of companies under consideration. Economically there has not been a more critical time than now to ensure the financial stability of a vendor is not overlooked in the evaluation. Many contemporary newcomers to the SaaS market are VC (venture capitalist) companies so it is important, if indeed they are a serious contender for the business, to understand where that company is in their funding process, the criteria that has been defined or set to declare their success in the market, and their financial stability in order to give prospects confidence of their permanence in the industry.
- **Provider Business Model** – Due diligence in knowing and understanding a provider's business model is key to a successful vendor-client relationship, especially when it comes to SaaS companies. This area of evaluation has everything to do with understanding the provider's current capabilities and what their business strategy looks like. Does it align with or support your organization's goals financially and from an application perspective?
- **Advanced Contact Center Applications** – Depending on a provider's business model, they may or may not provide advanced contact center applications such as IVR self-service, speech analytics, workforce management, and multi-media channel queuing. If they do have the capabilities you are looking for, it is the onus of you, the prospect, to gain clarity regarding the level of integration the provider has with these systems, which could potentially affect routing but directly affects the comprehensiveness and accuracy of the reporting.
- **Provider's Infrastructure** – A strong infrastructure is paramount in choosing a contact center SaaS solution provider. A provider's core infrastructure should be redundant for business continuity and disaster recovery purposes, and be located in carrier grade data centers as those centers are designed and built for the purpose of housing infrastructure systems which carry and process high volumes of traffic. It is also important if VoIP is under consideration that provider's have guarantees associated with the provider's network uptime.

RECOMMENDATIONS

We would like to leave you with a few recommendations in your search for a contact center SaaS solution and provider which will enable you to meet your customer service goals, whether they include delivering quality customer service, delivering service more efficiently, simplifying the ease of management, and all with limited financial and personnel resources.

- Critical to the success of any project is a complete understanding of the project's goals to ensure this type of technology solution will enable you to meet those goals. Knowing your goals will allow you to qualify the providers you will engage as well as set the minimum requirements for the SaaS solution.

Additionally, there is one more thought regarding project goals. Stay focused! It is easy to get carried away with all the possibilities available to you because of new technology. Veering away from original project goals **does** change the business case. If indeed there is reason to change the project goals, be certain to revamp and validate the business case.

- Do not move forward without a comprehensive financial model to support your business case. Without it, it is very difficult to ascertain the full impact or ROI of implementing such a project.
- As with any major change, due diligence in the area of cultural, internal, and external ramifications to the company is required, as the success of the project could be doomed before it even begins otherwise. Changes without addressing impact to process can affect the success of a project as well. In conjunction with the implementation of a SaaS contact center solution process changes should be considered to prevent potential increases in cost.
- Before signing an agreement, speak with the provider's customer references. It is best to speak with those references similar in size and applications to your anticipated environment. Important to your confidence in moving forward with a provider is an understanding of their experience during implementation and their ongoing service with their provider. Don't shy away from asking the tough questions.

SUMMARY

Software-as-a-Service provides cutting edge contact center solutions that are affordable.

Businesses are continually pressured to reduce costs while bettering customer service and differentiating themselves from the rest in their industry. This is the very reason businesses are looking for a solution that delivers, a solution that is not just about the sexiness and "hype."

SaaS solutions deliver. From the core infrastructure solution to the providers who are selling and implementing them, SaaS solutions deliver.