Reduce Costs and Increase Performance: The SaaS Advantage for Contact Centers

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The pursuit of excellence is the driving force for every contact center, regardless of size.

This paper examines current economic and business trends impacting the contact center market. It provides guidance and recommendations for contact centers looking for an alternative to on-premises contact handling solutions.

**INTRODUCTION**

The pursuit of excellence is the driving force for every contact center, regardless of size. When customers receive excellent service, customer satisfaction and loyalty improve and contact centers are successful. However, recent economic events and the overall volatility of the telecommunications manufacturing sector are now driving centers with outdated or non-upgradeable premises-based equipment toward a critical juncture: make significant new capital expenditures or risk customer-impacting declines in performance. For these contact centers, finding an affordable contact handling and workforce optimization solution is a top business priority.

Although premises-based equipment has been the de facto contact handling solution, it carries a high total cost of ownership (TCO). This high cost is created by up-front capital expenses, internal IT maintenance/support staff and frequent upgrades to support critical advances in contact handling and workforce optimization. Until recently, there has not been a viable alternative. However, cost concerns, the increasing trend towards at-home workers and vendor instability have all given rise to an alternative solution that is rapidly gaining widespread acceptance: Software-as-a-Service (SaaS), also known as on-demand services. SaaS is now moving into the mainstream. This fact is supported by a recent Gartner study revealing that nearly 90% of organizations surveyed expect to maintain or grow their usage of SaaS, with more than one-third transitioning from on-premises to SaaS.¹ For contact centers, SaaS solutions have the added benefit of integrating with existing on-premises equipment, providing enhanced features and functionality without requiring additional hardware expenditures.
MARKET DRIVERS IMPACTING CONTACT CENTERS
The current state of the economy has started taking a toll on telecom/network equipment manufacturers. For example, Nortel Networks’ filing for bankruptcy protection has raised growing concerns about general instability in the marketplace. Nortel customers, particularly in small- and mid-market companies, wonder if they will be abandoned without clear options for future upgrades or support. According to Zeus Kerravala, an analyst with the Yankee group, “What you are seeing is a transformation akin to the transformation from the mainframe to Windows. Back then you had huge hardware giants like Honeywell, Burroughs, Univac, and they all kind of went away. Nortel, Avaya, Alcatel, Siemens— these guys are the mainframe giants of this generation. One or two of them may survive but certainly not all of them.”

While the eventual impact of this shakeup is uncertain, one effect is clear: contact centers faced with maintaining and supporting an obsolete solution will rapidly reach a point of diminishing returns. To remain competitive, they must invest in a new solution.

Economic conditions are also driving changes in the contact center business model. The prevalence of multi-site centers relying on outsourced, offshore and at-home agents has increased. Using a dispersed workforce, particularly at-home agents, provides many benefits to contact centers including reduced costs and improved performance. Frost & Sullivan believes that the work-at-home agent model could become the industry norm in the coming years. However, effectively adding and supporting geographically dispersed agents using an on-premises solution is an expensive and time consuming proposition. It requires additional hardware and telecom costs and takes longer than a SaaS solution to fully implement. In a tough economy, the ability to quickly take advantage of new cost-saving trends such as a SaaS-based at-home workforce can be a real competitive advantage.

Volatility among hardware vendors and pressure to adapt to changing economic conditions pose significant challenges for contact centers relying on obsolete premises-based contact handling systems.

THE CHALLENGE OF OBsolescence
The primary challenges associated with outdated premises-based systems are the costs, both of maintenance and ultimately replacement; the inability to increase performance; and the loss of productivity.

Cost
Without a clear upgrade path, the likelihood of an obsolete system having a devastating impact on business—creating dissatisfied customers, affecting agent morale and generating skyrocketing maintenance costs—increases exponentially over time. This leaves business managers with two options: 1) Rip and replace their current premises-based equipment, or 2) Find an alternative solution.

Replacing outdated equipment with another traditional, premises-based system requires significant upfront capital investment, as well as IT staff to provide around-the-clock supervision of the system. This is an expensive proposition for many companies charged with reducing costs and lowering TCO. This option also requires finding a telecom equipment manufacturer that can prove its stability and provide a roadmap for future upgrades.

Performance
Achieving customer satisfaction and continually improving performance are goals of both call center management and service providers, who are continually innovating and improving their offerings. To stay competitive, contact centers need access to the latest contact handling and workforce optimization tools that can help them achieve key service levels in customer loyalty, attrition rates, agent-to-customer communications and business efficiency. New technologies and enhanced feature sets can make a major difference in helping call centers attain higher levels of performance. Missing this opportunity due to an obsolete, non-upgradeable infrastructure can impede contact center excellence and result in compromised service.

Productivity
Downtime created by system malfunctions is an unacceptable cost in any business area.
The impact in contact centers is especially significant. When agents can’t handle calls and serve customers as required, their stress levels increase and their morale declines. Agent turnover is already a top challenge in contact centers, and improperly working systems often exacerbate the problem by creating an apathetic workforce plagued by helplessness. Lost agent productivity can also increase customer dissatisfaction, which leads to lost business, as calls wait too long in queue or are otherwise mishandled.

As contact center executives struggle to reconcile seemingly opposed mandates to reduce costs and improve performance, an outdated premises-based infrastructure can create a significant barrier to excellence.

**THE SAAS REVOLUTION**

While SaaS has been in use since the beginning of the century, it is only recently achieving widespread adoption. Reluctance to implement an on-demand solution in contact centers can be attributed to a number of factors:

- Concerns over security
- Questions about regulatory compliance
- Skepticism about stability and reliability
- Perceived lack of industry-specific customization
- Resistance from internal IT staff

**Security & Compliance**

There is no higher priority for companies than keeping their customer data secure. When contact centers implement premises-based solutions, they are responsible for data security and industry/regulatory compliance. Companies in highly regulated industries, such as financial services and healthcare, should ensure that solutions and vendors will meet their compliance needs. However, with a SaaS-based solution, contact centers have access to greater security measures to protect their customer information than with traditional premises-based systems. Few customer service organizations can afford carrier-grade facilities for:

- Physical and information security
- Fire control
- Backup power
- Systems and network redundancy
- 24/7 network monitoring
- Network operating security and database security
- Redundant firewall protection
- External IP network monitoring
- Assistance in meeting requirements for SOX, PCI and other regulatory standards
- Intrusion Detection and Prevention systems monitoring
- Secure SSL and direct VPN connectivity options

An additional security measure provided by leading SaaS solutions is multi-tenancy. This practice ensures each contact center’s data is stored and secured separately from any other contact center using the same SaaS platform.
Stability and Reliability
Critics of SaaS claim that it is not as stable as a premises-based hardware solution. This is simply not true. SaaS is a hardware solution; it is just hardware that customers do not have to buy, configure, maintain or upgrade. And, it is typically hardware that is much more robust than the type of hardware customers might affordably buy on their own. Good SaaS vendors will demonstrate their commitment to customer service and uptimes with a guaranteed service level agreement (SLA) of 99.99%.

Industry-Specific Customization
A common concern for customers evaluating SaaS is that it is a one-size-fits-all solution that cannot accommodate industry-specific needs. However, service providers that specialize in contact center solutions as a core business competency understand that each contact center is unique. Leading solutions are multi-tenant, enabling customized implementations for each customer’s needs without impacting another customer’s system.

IT Resistance
Transitioning to SaaS has an important impact on the IT staff responsible for maintaining a premises-based system. Eliminating the need for 24/7 support creates opportunity for the IT staff to take a more strategic role in IT planning and to work on more important business needs.

All of the preceding factors have been addressed by SaaS service providers. As a result, recent studies show that SaaS is emerging from its infancy and gaining market share as a viable solution in many business applications. According to the IDC research analyst group, companies of all sizes will increase their use of SaaS by at least 27 percent by 2011. The contact center market is among the fastest growing segments for SaaS. In fact, the industry research firm, DMG Consulting, projects that by the end of 2011, 30-35% of new contact center seats will be hosted.

SOLVING THE CHALLENGE OF OBsolescence
SaaS eliminates the barrier to excellence created by outdated and non-upgradable premises-based solutions by providing a viable alternative to reduce costs while increasing performance. Instead of incurring significant capital expenses, contact centers can eliminate their up-front costs and access the latest advancements in contact center technology. Because of these advantages, SaaS is well-positioned to overcome the challenge of obsolescence.

Reducing Contact Center Costs
In addition to eliminating the need for a large, up-front capital expense, a SaaS solution can help companies reduce overhead and depreciable assets by enabling at-home or remote workforces. This approach helps mitigate or completely avoid losses due to natural disasters and epidemics. It can also increase productivity and profitability by linking multiple centers together as one. Leading SaaS solutions will integrate with any brand of switch or telephony hardware, eliminating the cost of standardizing equipment. Because maintenance

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**PRIMARY OBJECTIVES FOR ADOPTING SAAS**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminate additional infrastructure and staff costs</td>
<td>75%</td>
</tr>
<tr>
<td>Accelerate deployment process</td>
<td>67%</td>
</tr>
<tr>
<td>Subscription, pay-as-you-go pricing model</td>
<td>63%</td>
</tr>
<tr>
<td>Receive continuous updates/upgrades</td>
<td>52%</td>
</tr>
<tr>
<td>Allow internal IT/application staff to focus on more strategic projects</td>
<td>47%</td>
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<tr>
<td>Reduce risk of failed deployment</td>
<td>42%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: SaaS Market Sizing, by Jeffrey M. Kadler, Senior Consultant, Cutter Consortium
and upgrades are centralized and performed by the service provider, SaaS also removes the need for on-site IT staff at every location to manage and support the system. SaaS can be used in conjunction with existing premises-based infrastructure, allowing companies to add enhanced features while maximizing the return on their initial investment.

**Real Savings in On-Demand Solution vs. Premises-Based Solution**

<table>
<thead>
<tr>
<th>Agent Seats</th>
<th>Total Cost of Ownership % Savings over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 Seats</td>
<td>28% Savings</td>
</tr>
<tr>
<td>100 Seats</td>
<td>34% Savings</td>
</tr>
<tr>
<td>400 Seats</td>
<td>45% Savings</td>
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</table>

Source: Yankee Group, April 2006 “VoIP and Lower TCO Will Drive Adoption of Hosted On-Demand Contact Centers”

**Increasing Performance and Customer Satisfaction**

According to analyst firm Peppers & Rodgers Group, “more than 9 out of 10 consumers (94 percent) state that they spend less with a company that violated their trust, and 8 in 10 will never go back to a company after a bad experience. Therefore, an underlying competence for locking in customer relationships is the ability to deliver excellent customer experiences.”

SaaS solutions help increase contact center performance and ensure customer satisfaction by enabling at-home agents, increasing customer self-service options and increasing scalability.

The ability to effectively use at-home agents in a SaaS environment enables better customer satisfaction, as at-home agents typically have much higher job satisfaction, which leads to better customer care. “In a way, customer care has been the laboratory from which the backbone for the remote workforce has emerged,” said Ken Landoline, Yankee Group Senior Analyst.

The enhanced features found in several SaaS contact handling solutions such as user roles and permissions, reports, dashboards, call flows and user alerts all serve to increase performance levels. SaaS contact handling solutions can also integrate with many CRM applications, providing better customer intelligence at the agent desktop, and enabling customer self-service through the use of convenient, web-based tools. Contact centers can also quickly scale to meet sudden spikes in call volume, as it is much simpler to turn up additional agent ports.

**Improving Productivity and Operational Efficiency**

Good SaaS solutions include workforce optimization tools that significantly improve agent productivity and operational efficiencies. These tools typically are used to automate training, simplify hiring processes, reduce attrition, gather near-real-time customer feedback, and deliver comprehensive reporting. Workforce optimization tools can also improve scheduling efficiency by basing forecasting on historical call volume and involving the agent more directly in the scheduling process.
Any decision maker interested in implementing a better, more affordable contact handling and workforce optimization tool, and enhancing the customer experience, should seriously consider a SaaS solution for contact centers.

### HOW SAAS STACKS UP TO PREMISES-BASED

Selecting the right components for a contact handling solution is based on the unique needs and requirements of each contact center. However, many contact centers share the following concerns, which will serve as the comparison points between SaaS and premises-based solutions.

#### SAAS VS. PREMISES-BASED

<table>
<thead>
<tr>
<th>Business Concern</th>
<th>SaaS</th>
<th>Premises-based</th>
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</thead>
<tbody>
<tr>
<td><strong>Upfront Cost</strong></td>
<td>SaaS has low or no upfront costs. It is billed as a subscription based on the number of seats or users.</td>
<td>Premises-based systems require a significant outlay of capital funds upfront to cover equipment, installation and configuration costs.</td>
</tr>
<tr>
<td><strong>Hidden Costs</strong></td>
<td>Most SaaS solutions are billed monthly. There are no hidden fees or extra charges.</td>
<td>Additional costs with premises-based solutions include: installation, integration, maintenance, security, backup, servers, internal labor, testing, development and obsolescence.</td>
</tr>
<tr>
<td><strong>Deployment</strong></td>
<td>SaaS applications are on-demand, making deployment quick and easy.</td>
<td>Deploying a premises-based infrastructure is time consuming, and requires purchasing and installing many hardware and software components.</td>
</tr>
<tr>
<td><strong>Scalability</strong></td>
<td>Leading SaaS solutions can easily handle fluctuations in call volume as business needs change from month-to-month, providing contact centers with significant cost savings when call volumes are low.</td>
<td>Premises-based contact centers must purchase hardware and telephone equipment to accommodate maximum anticipated call volume, resulting in high capital expense and inefficient hardware utilization. Installing and activating new telephone lines also takes additional time and money.</td>
</tr>
<tr>
<td><strong>Support for At-Home Agents</strong></td>
<td>The on-demand solution is designed for at-home agent capability, without the need for hardware. SaaS solutions handle the same IVR, CTI, ACD and recording capability functions as premises-based systems, but are less expensive and more efficient to operate.</td>
<td>Premises-based systems are typically geographically-bound (designed to support directly-connected users). Enabling an at-home agent on a premises-based solution is often treated as a secondary hardware add-on, which becomes expensive and difficult to configure.</td>
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<tr>
<td><strong>Support for Multi-Site Centers</strong></td>
<td>SaaS architecture allows multiple sites that use diverse worker models such as outsource, offshore and at-home to operate as one, reducing IT costs and routing multi-channel contacts to the right agents, regardless of their location.</td>
<td>Similar to the challenge presented by at-home agents, premises-based solutions are not easily adapted to multiple centers and require additional hardware and telecom expenditures. Worse, if a single point of failure occurs, the entire system can go down.</td>
</tr>
<tr>
<td><strong>Upgrades</strong></td>
<td>SaaS customers always have access to the latest and greatest technology, without the expense of buying new software. The agile SaaS model delivers new advances on-demand.</td>
<td>Upgrades are performed under annual maintenance contracts. Due to the length of product development cycles, most upgrades are outdated by the time they reach the customer.</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td>The SaaS provider is responsible for upgrades and maintenance of the hardware and software. A well-architected on-demand solution does not impact existing on-site infrastructure.</td>
<td>While some maintenance is performed by the vendor or reseller under an additional service contract, premises-based equipment requires in-house IT resources to manage and support it.</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td>SaaS service providers offer a higher level of security than traditional, premises-based solutions. Types of security provided by SaaS include: physical security, fire control, backup power, systems and network redundancy, and a 24/7 network monitoring operating center.</td>
<td>Replicating the level of security delivered by the best SaaS providers is incredibly expensive and difficult to maintain for large centers, and not a viable financial option for small and midsize centers.</td>
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</table>
WHAT TO LOOK FOR IN A SERVICE PROVIDER

Contact center executives and managers who are seriously considering a migration from a premises-based system to a SaaS solution need to find a service provider that can deliver the right solution, customized to their unique contact handling needs. To find the right solution, compare how SaaS providers measure up in these six critical areas.

1. **Proven Track Record**
   There is no substitute for experience. Find out how many calls the service provider handles monthly/annually and how large their customer base is. Do they stand behind their service with an SLA of 99.99% guaranteed uptime? Is their an award-winning solution that's recognized by analysts and industry experts?

2. **Complete Solution**
   Avoid piecemeal solutions. Trying to create a complete solution by implementing a series of narrowly focused point solutions can create interoperability problems and be difficult to manage. Look for a service provider that offers an integrated platform, combining core contact handling functionality with a suite of workforce optimization tools.

3. **Single Source Provider**
   Know every partner involved in the solution. Find out if they lease their telecommunications and data network. The ideal service provider will control and operate the telecommunications and data network and be the sole responsible party.

4. **Full Integration**
   Save money and add functionality. Integrating SaaS contact handling with existing equipment, such as a PBX or CRM systems, provides valuable feature enhancements and cost saving benefits. Make sure the service provider offers a solution that is compatible with existing equipment and CRM software.

5. **Flexibility**
   Take advantage of new worker models. Ask how the service provider accommodates multi-site centers, at-home workers and seasonal call volume. The best service providers offer flexible features and billing to meet these needs.

6. **Financial Stability**
   Don't partner with an unknown entity. Ask about the company's history and how long they have been in business. What are their plans for growth? Do they achieve profitability quarter over quarter?

CONCLUSION

The challenging economy combined with volatility in the telecom/network equipment manufacturing sector is pushing contact center executives to look for alternatives to on-premise contact handling solutions. Proven SaaS contact handling solutions merit consideration by any executive trying to achieve the seemingly opposing goals of reducing costs and increasing performance. The right SaaS solution makes it possible for contact centers to eliminate barriers created by obsolete premises-based solutions, achieve excellence in customer service and continue business success.

THE INCONTACT ANSWER

inContact® is a state-of-the-art on-demand contact handling and agent optimization platform. Since 2001, inContact has been providing call centers with connectivity and agent management tools to be successful. Their SaaS technology includes a full-featured Automated Call Distributor (ACD) with skills-based routing, Interactive Voice Response (IVR) with speech recognition and Computer Telephony Integration (CTI). Agent optimization solutions from inContact include an online hiring application, patented eLearning and communications, a workforce management tool and a dynamic customer feedback and survey application. inContact is the proven technology to help contact centers deliver exceptional customer experiences, while decreasing costs, increasing revenues and giving them a strategic competitive advantage regardless of size.

inContact is delivered via a telecommunications and data network that it controls and operates, something which no other on-demand provider can claim. inContact offers a complete, integrated solution, which includes:

**PROVEN TECHNOLOGY**
- Over 10 billion calls handled
- On-demand solutions for call centers since 2001
- Deployed in approximately 600 call centers, of all sizes
• Industry's best guaranteed SLA
• Used by over 60,000 agents
• Over 300 employees dedicated to your success

CONTACT HANDLING
• Full-featured ACD with skills-based routing (phone, email, fax, chat)
• Easily integrates with your existing PBX
• CTI, IVR, and automatic speech recognition
• Drag-and-drop call routing control
• Call logging and recording
• Outbound Dialing

AGENT OPTIMIZATION
• Hiring technology
• eLearning with patented RightTime™ technology
• Customer surveys with real-time feedback
• Workforce Management with scheduling, forecasting, and strong agent/manager interaction
• Tight integrations into the industry's best CRMs

NETWORK CONNECTIVITY
• Multiple carrier options
• Multi-protocol connections
• Fast and simple to scale
• Unifies multi-center organizations on disparate switch types
• Geographic, carrier, machine, and POP redundancy

Find out how inContact is helping hundreds of contact centers significantly reduce costs while simultaneously increasing their customer satisfaction levels. Call 866-298.9102 today, or visit www.inContact.com for more information.

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