

RESEARCH UPDATE

The Hosted IP Contact Center Selection Process – One Size Does Not Fill All

Summary

The contact center industry has gone through an evolution in the last decade that has left the marketplace unrecognizable even to those who have monitored the industry closely during this period. What was once an industry based upon proprietary hardware-oriented technology, facilitated by premise-based monolithic systems, and delivered by telephone equipment vendor giants such as AT&T, Nortel, Siemens and other stand-alone call distribution industry specialists such as Aspect and Rockwell, has reacted and changed to meet market needs. The emphasis is now shifted to a marketplace based upon non-proprietary, open architecture, distributed software-based platforms that can run on standard computer servers.

In addition, the advent of IP telephony has rendered these products seemingly equally effective whether delivered via a premise-based or a hosted, on-demand solution. However, the resulting offerings have become more specialized and can vary widely in features, capabilities, and performance levels. As a result of the industry evolution, contact center application buyers today are often baffled by the numerous offerings currently on the market. They spend an inordinate amount of time sifting through a confusing list of products and services, often to start the process over again when they realize they were examining and comparing the wrong set of vendors in the first place.

The purpose of this research brief is to guide decision-makers interested in planning, selecting and implementing an on-premise or hosted/managed service IP contact center solution in the near future. More precisely, this paper is intended to assist the readers in honing in on the appropriate and optimum vendor groupings early in the product selection/assessment process, based upon their specific needs and requirements, in order to mitigate time wasted in the respective learning and vendor Request for Proposal (RFP) processes.

This research brief offers an unbiased, third-party view to guide buyers through the various groupings of products offered in today's marketplace based on their specific needs. It is intended that the net effect will be time savings for both end users in the early selection process, and for the vendor in the selling cycle and sales proposal process.

Overview of the Marketplace

Call center solutions have traditionally been provided by customer premise-based hardware and software implementations that were operated and managed by the internal telecommunications or information technology (IT) organization of the user company. The Automatic Call Distribution (ACD) functionality was initially introduced as a subsystem of the general business telephony process by switch providers such as AT&T, Fujitsu, Mitel, NEC, Nortel, Siemens, and other leading Private Branch Exchange (PBX) vendors. As the needs of users became more rigorous and requirements for call distribution became more robust, these ACD applications became more sophisticated and suppliers such as Aspect and Rockwell began offering stand-alone ACD products to work with a multitude of major business telecommunications switches. For several decades, such premise-based stand-alone ACD products remained the “gold standard” for companies attempting to differentiate their customer call centers and customer service capabilities from the crowd.

Today’s decision makers have many more options in selecting a contact center solution. Those wishing to maintain maximum control over their operational hardware and software can select a premise-based solution and supply their own agents, IT management and supervisory personnel onsite to run the operation. Another variation of a premise-based solution is known as “in-sourcing” in which hardware and software remains on-premise but non-company personnel staff and manage the operation. In this case the contact center employees are not employees of the enterprise. A hosted contact center operation is another option in which the call center hardware/software is managed off-site by a hosting company. In a hosted scenario the enterprise employees continue to staff the call center while the hosting company manages the hardware and software off-site. This is becoming a popular approach for companies seeking to expand or contract operations rapidly, as well as for those seeking improved levels of redundancy and business continuity. Finally, an “outsourced” contact center solution may be chosen. In this scenario enterprise personnel are relieved of most operational responsibilities and the contact center itself is moved to a remote site and becomes the responsibility of a third-party organization under contract to provide personnel and maintain specified levels of service required by the enterprise.

The advent of IP telephony and its inherent ability to very efficiently and effectively distribute application functionality across corporations, and render the distance between corporate locations and personnel irrelevant, has forever changed the world of call centers. IP telephony now enables remote control and management of contact centers via high-speed bandwidth and a standard browser interface. As a result, the fastest growing sub-segment of contact center applications is that portion selecting and operating hosted IP telephony platforms. It is estimated that as much as 25 percent of new contact center implementations will be via hosted solutions by the year 2007. The focus of this paper is the selection process specific to deciding among hosted solution offerings.

Although there had been some earlier attempts by managed service providers to provide ACD and call center functionality via an off premise or hosted solution, such as Centrex ACD, premise-based solutions continued to dominate the marketplace. Hosted solutions were simply considered substandard solutions when measured in feature capabilities, and the areas of system reliability and flexibility. This was especially true for companies, large and small, which considered their call center functionality a mission critical ingredient to the success of their corporation.

Over the past five years, IP hosted contact center applications with more robust feature sets and other inherent advantages including simple and rapid start-up cycles, and remote management and agent capabilities, have effectively leveled the playing field in the contact center marketplace. Hosted

providers such as IBM and Echopass began providing hosted IP solutions as early as the year 2000 to larger enterprise companies. In a related trend, hosted applications in other related markets, such as sales force automation and customer relationship management, have enjoyed a resurgence in popularity led by the success of companies such as Salesforce.com and Siebel OnDemand. In many cases hosted applications have become the preferred approach to business solutions for a multitude of reasons.

Premise-Based Versus Hosted Solutions

Premise-Based

A premise-based contact center is physically installed on the customer's site by the end user himself or by a systems integrator (SI) and maintained and updated by the customer or a third-party organization. The customer is very involved in the implementation and responsible for many of the details including the installation of agent desktop connections, servers, software, and the integration of the system with the voice service provider or IP network. The user is responsible for the initial configuration of the contact center, as well as ongoing support. All peripheral application modules including computer telephony integration (CTI), e-mail response, interactive voice response (IVR), monitoring and recording, and quality management are the responsibility of the end user company.

Hosted/Managed

Hosted contact center solutions deliver network-based functionality via an on-demand network while switch implementation and support is provided by a network service provider, technology provider, or outsourcing bureau. The wiring and hardware implementation of a hosted solution is typically limited to a personal computer/server, a browser, and telephones on the customer's site. Technical support and ongoing maintenance and application update responsibilities are provided by the service provider or hosting technology company. Add/move/change requests can be handled by the hosting company or done via a less expensive self-service approach if the end user so desires.

Newer hosted contact center offerings are now functionally and architecturally strong and have been proven effective at many customer sites in the past few years. Increased scalability, single server multi-tenancy capabilities, and VoIP location-irrelevant connectivity make today's solutions superior to those offered previously. In addition, in a hosted environment the start-up costs of installation, maintenance and, as mentioned earlier, the technology "refresh" responsibilities are shifted from the enterprise to the hosting company. This can be a very effective and attractive formula for companies setting up new contact centers or for established companies wishing to stabilize monthly expenditures and focus business resources on their core business functions. Often, organizations selecting a hosted contact center solution can minimize or, in some situations, even eliminate the cost of an IT and/or telecom support department. VoIP networking allows maximum flexibility in agent placement and the routing of incoming calls to those agents, who may be located anywhere in the world where an Internet connection and browser are available.

Following the success of a few hosted CRM products such as Siebel OnDemand and Salesforce.com, several contact center vendors have delivered different flavors of full-featured, hosted contact center products focused on serving the small and medium enterprise end user. The leading and best known providers to achieve a level of success in this marketplace include Angel.com, Concerto (now Aspect Software), Contactual (formerly White Pajamas), CosmoCom, EchoPass, Five9, and Telephony@work. The offerings of each of these companies (some providing their application through service providers) are impressive in their speed of installation, ease of use, low level of start-up costs, predictability of expenses, and user interface. In addition, several traditional providers of enterprise contact center solutions are now offering their solutions in managed service versions to allow service providers to more

effectively offer hosted contact center solutions to end users. However, since each company has its unique market emphasis, none should be considered best of breed for all given end user situations. Selection of the best solution will depend upon carefully matching customer needs with the product best suited to match those requirements.

Market Segmentation Attributes

Once a hosted contact center application is determined to be a viable solution for a corporation, there are many variables to consider before the decision maker can be comfortable he/she is considering the most appropriate solutions. All offered products are seldom the perfect fit for the variety of corporate enterprise situations. Therefore, available solutions must be considered and measured across a host of criteria including, but not limited to:

- Number of total call center agents required (e.g., less than 20, 20-500, more than 500)
- Source of agents (company supplied, outsourced, and/or remote agents)
- Call center traffic mix (inbound/outbound/blended call mix)
- System availability (24x7 always-on, on-demand)
- Feature set completeness and robustness
- Product reliability
- System redundancy (always-on capability)
- Requirement for an end-to-end managed service or some subset of a managed architecture
- Pricing levels and flexibility
- End-User Channel availability (voice versus multi-channel contact center systems)
- Vertical market appropriateness (healthcare, government, high tech, transportation, others...)
- Greenfield versus replacement/displacement of existing contact center products

Customer needs in the marketplace will also vary greatly from small enterprises requiring only on-demand or hosted capabilities and standard, pre-packaged contact center features, to larger organizations with a need for robust functionality, always-on, end-to-end management and customization capabilities. While the correlation between scalability and advanced feature set and managed capabilities may often be the norm, in some cases the smaller enterprise will require a robust feature set and customized solutions. Each contact center is different and decision makers must do a detailed needs analysis prior to beginning the search for an application provider in order to minimize the pursuit of inadequate solutions early in the process. In many cases, the refinement to a short list of vendors for consideration could be the most critical piece of the selection/acquisition process so due diligence early on in the process will be critical to success.

Conclusions

The modern enterprise has a plethora of choices when selecting a contact center solution. Certainly for the foreseeable future the customer premise-based owned and managed contact center solution will continue its dominance, although their market share of installed systems will continue to erode as hosted solutions continue to gain marketplace momentum. Driven by the power of IP telephony, enhanced feature functionality and inherent economic advantages, hosted solutions will garner the bulk of attention from contact center decision makers, and this will result in a rapidly growing number of hosted solution purchases.

The challenge for vendors of these systems will be the education of the marketplace and the simplification of the comparison and selection processes. The challenge for the potential buyers of hosted contact center solutions will be the navigation amongst the growing number of offerings. As was noted earlier, not all offerings can be optimized for all situations. Many are focused on the lower end of the marketplace (under 20 agents) and would not be suited for companies planning for future growth. Others cater to contact centers focused on outbound or telemarketing operations and would not be the optimal choice for centers with a strong focus on customer care in inbound call centers.

One certainty is that the better educated the marketplace, the more efficient the comparison and selection process will be. Both buyers and sellers will be well served by a process that gets prospects to a short list of qualified potential products as quickly as possible with little misdirection. This will ensure that end users and decision makers save time and money by eliminating the pursuit of less than optimum solutions, and vendors enhance sales “hit rates” by attracting and pursuing well qualified prospects. The enhanced education of the marketplace will be a win-win solution for all involved parties.

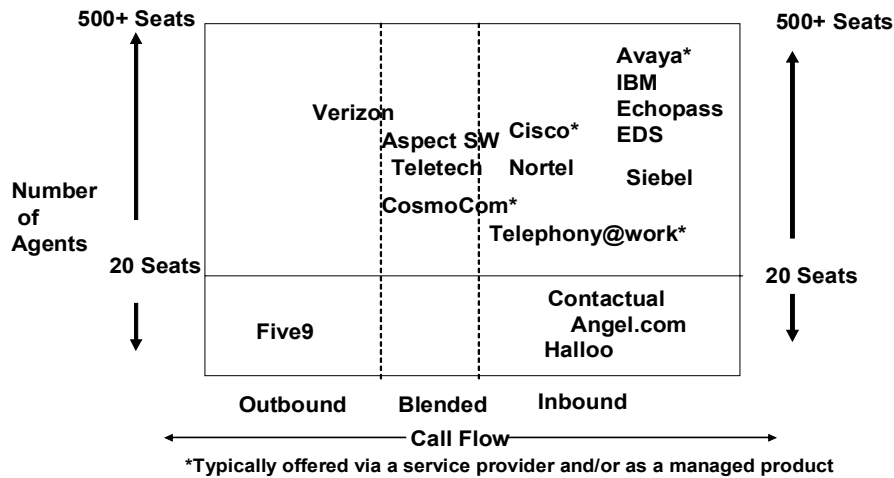
The View From The Saddle

Saddletree believes a high quality hosted contact center application should offer a unified contact center suite to include automatic call distribution (ACD) over multiple communications channels (voice, chat, e-mail, etc.), interactive voice response (IVR) e-mail response management, agent skills-based call routing, computer telephony integration (CTI), predictive dialing, call recording capabilities, and a fairly sophisticated set of administrative/management tools. When required in specific circumstances, always-on capabilities, performance guarantees, and solution customization can also be crucial to the optimal solution fit. In many of these cases, hosting companies serving the larger inbound call center requirements will provide the greatest flexibility for unified communication channels.

Of course, the actual requirements will be driven by the specific set of customer needs in a given situation. In contrast to many previous customer premise call center solutions, these features and functions should be offered in an integrated turnkey package, easily and affordably implemented with little if any charges for hardware and software. Meeting these application criteria is an essential requirement that is currently being met by a growing number of hosted application providers utilizing IP telephony technology. However, meeting these application specifications is not the only critical requirement of a hosted contact center offering. There are many surrounding criteria that must be considered before a final selection is made.

Saddletree Research attempts to offer a logical approach to the contact center selection process based on a prioritization of user requirements, product and economic variables, and a thoughtful consideration of present and possible future needs of the end user. The end result is a clustering of available products/vendors in the figure below labeled “Contact Center Selection Matrix”. Using this approach, buyers and users will be better able to consider several of the most important requirements of their organizations, including current contact center size, future growth, required features, inbound/outbound traffic flows, and budgeting and/or pricing considerations, etc. This will allow each decision maker to fit his potential solutions into a specific product/vendor cluster and make a selection of a short list of vendors to consider.

Contact Center Selection Matrix



The diagram displays clusters of candidates to be considered by prospects considering the selection, acquisition, and implementation of a hosted contact center product based on unique end user needs and requirements. Given priority in this diagram are issues of call center size and call flow. The candidate names shown in this diagram consider a broad selection of contact center providers including Angel.com, Aspect Software, Avaya, Cisco, Contactual, CosmoCom, Echopass, EDS, Five9, Halloo, IBM, Nortel, Siebel, Teletech, Telephony@work, and Verizon. It should be realized that this breakout of offerings is intended as an initial step to allow decision makers considering a hosted IP telephony contact center solution to develop a primary list of vendors for consideration. The natural clustering of names found in the diagram can be used as a first step in vendor selection. A more in-depth analysis of each vendor in the cluster should be done to ensure due diligence in the final selection process.

Summary and Conclusions

Saddletree believes leading candidates for on-demand hosted contact centers today include small, medium and large distributed enterprises that have already accepted the hosted service model in other aspects of their business. Most likely, enterprises with a shortage of time, money, skills, and desire to acquire and manage their own enterprise-based contact center infrastructure are excellent candidates for the on-demand hosted contact center scenario. Another driver will be a desire by larger enterprises to insure business continuity and compliance with Sarbanes-Oxley. The combination of quick deployment, minimum or no upfront investment, a tight correlation of revenue streams with expenses, and the ability to free up enterprise personnel to focus on core business functions, makes the hosted contact center solution an attractive and smart choice for such organizations.

Saddletree believes there is a set of end users for which a hosted IP contact center is a logical and viable choice based upon contact center size, future scalability requirements, and shifts in activity level. In

addition, an “I want to have control” mentality may no longer mean “I need to own it all”. Potential users of hosted solutions will include start-ups wanting to stabilize costs, small/medium enterprises, and larger enterprises with premise-based call centers wishing to add flexibility and overflow capabilities via a hybrid enterprise/hosted contact center.

Because of recent advances in technology (the advent of IP telephony), reliability levels, scalability, and multi-tenant capabilities on single servers, enterprises requiring small, medium, and large contact center solutions now have a viable alternative to the on-premise, owned contact center. Today, relatively complex hosted contact centers with robust feature sets and a broad set of capabilities can be implemented in less than 90 days with little capital investment on the part of the enterprise. Hosted solutions can also be viable for larger scale operations, however the selected provider’s ability to serve larger numbers of agents and provide service to multi-location enterprise environments must be examined closely, because many of today’s solutions may not be capable of supporting the more rigorous criteria required by larger and/or more demanding customers.

The convergence of the Internet, advances in distributed computing applications, and the connectivity of VoIP networking have changed the contact center marketplace forever. The IP-based hosted contact center can now offer connectivity and integration of multiple distributed centers and applications (ACD, Chat, IVR, E-mail, etc.), more effective utilization of onsite agents and remote home workers, with attractively configured pricing schemes, and little economic or business risk for situations ranging from large complex contact centers down to and including relatively small and simple contact center environments. Many hosted IP contact center offerings are now on par with other enterprise alternatives in economic and technological comparisons. For these reasons, SaddleTree believes any enterprise considering the purchase of an IP telephony-based contact center infrastructure in the next few years should include appropriate hosted offerings to its list of products under consideration.

Author Biography:

Ken Landoline is a principal analyst with SaddleTree Research, Inc. Mr. Landoline has spent more than twenty-five years in the telecommunications industry as an executive with several global telecommunications corporations including AT&T, Siemens, and Fujitsu. He has also served as VP and director of voice telephony research and consulting at Dataquest, Giga Information Group, and Robert Frances Group where he was responsible for the development and management of global voice telephony research and consulting services and the creation of industry-leading research in the areas of voice and data convergence and technology evolution in the marketplace. In these roles he advised many Fortune 2000 end-user companies, vendors and investment institutions in the development and implementation of telecommunication systems and services with a special emphasis on multi-channel contact centers and advanced enterprise voice technologies.

About SaddleTree Research, Inc.:

Founded in 1999 and based in Scottsdale, Arizona SaddleTree Research provides communications industry research, including analysis of market trends, issues, technologies, and companies in the enterprise, call center, multi-channel contact center, Customer Relationship Management (CRM), workforce management, communications convergence, Voice over Internet Protocol (VoIP), and emerging telecommunications technology markets.