

OpenScape Cloud Contact Center

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

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 premise-based contact handling solutions.

Market drivers impacting Contact Centers

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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 However, recent economic events are now driving organizations with outdated or non-upgradeable premise-based contact center equipment toward a critical juncture: make significant new capital expenditures or risk customer-impacting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 premise-based equipment has been the de facto contact handling solution, some contact center vendors carry a high total cost of ownership (TCO). This high cost is created by up-front capital expenses, internal IT maintenance and 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 the acceptance of Software-as-a-Service (SaaS) solutions have all given rise to an alternative solution that is rapidly gaining widespread acceptance: Hosted or Cloud Contact Center services (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 SaaS¹. For contact centers, SaaS solutions have the added benefit of integrating with existing premise 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 raising capital to purchase telecom and contact center equipment. Companies are tightening their belts and making purchases only when compelling business cases are presented to them. IT departments are having to do more with fewer resources.

With the current reality, 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 onshore 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 years². However, effectively adding and supporting geographically dispersed agents using a premise-based solution can be 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 cloud-based at-home workforce can be a real competitive advantage.

The pressure to adapt to changing economic conditions poses significant challenges for contact centers relying on outdated contact center technology.

The Challenge of Obsolescence

The primary challenges associated with outdated 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 equipment
2. Find an alternative solution

Replacing outdated equipment with another traditional, premise-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.

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 contact center system can create a significant barrier to service 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

Primary objectives for adopting SaaS



Source: SaaS Market Surging, by Jeffrey M. Kaplan, Senior Consultant, Cutter Consortium

Security & Compliance

There is no higher priority for companies than keeping their customer data secure. When contact centers implement premise-based solutions, they are responsible for data security and industry/regulatory compliance. Companies in highly regulated industries, such as financial services and healthcare, must 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 premise-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 premise-based hardware solution. This is simply not true. SaaS applications run on ultra-reliable hardware that customers do not have to buy, configure, maintain or upgrade. And, it is hardware that is typically much more robust than the type of hardware companies purchase themselves. 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 premise-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 2011.³ 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.⁴

Solving the Challenge of Obsolescence

SaaS eliminates the barrier to excellence created by outdated and non-upgradable premise-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 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 premise-based infrastructure, allowing companies to add enhanced features while maximizing the return on their initial investment.

Real Savings in On-Demand Solution vs. Premise-based Solution	
Agent Seats	Total Cost of Ownership % Savings over 5 years
25 Seats	28% Savings
100 Seats	34% Savings
400 Seats	45% Savings

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.⁷⁵ SaaS solutions help increase contact center performance and ensure customer satisfaction by enabling at-home agents, increasing customer self-service options, and increasing scalability on-demand.

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, while enhancing the customer experience, should seriously consider a SaaS solution for contact centers.

How SaaS Contact Centers stack up

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 premise-based solutions.

Real Savings in On-Demand Solution vs. Premise-based Solution		
Business Concern	SaaS	Premise-based
Upfront Cost	SaaS has low or no upfront costs. It is billed as a subscription based on the number of seats or users.	Premise-based systems require a significant outlay of capital funds upfront to cover equipment, installation and configuration costs.
Hidden Costs	Most SaaS solutions are billed monthly. There are no hidden fees or extra charges.	Additional costs with premise-based solutions include: installation, integration, maintenance, security, backup, servers, internal labor, testing, development and obsolescence.
Deployment	SaaS applications are on-demand, making deployment quick and easy.	Deploying a premise-based infrastructure is time consuming, and requires purchasing and installing many hardware and software components.
Scalability	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.	Premise-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.
Support for At-Home Agents	The on-demand solution is designed for at-home agent capability, without the need for vendor specific hardware. All the agent needs is a PC connected to the internet (VoIP soft phone option), and an optional home phone.	Premise-based systems are typically geographically-bound (designed to support directly-connected users). Enabling an at-home agent on a premise-based solution often requires vendor specific hard or soft phones running VoIP over a corporate VPN connection which becomes expensive and difficult to configure.
Support for Multi-Site Centers	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.	Similar to the challenge presented by at-home agents, premise-based solutions are not easily adapted to multiple centers and require additional hardware and software expenditures. Worse, if a single point of failure occurs, the entire system can go down.
Upgrades	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.	Upgrades are performed under annual maintenance contracts. Upgrading one of the contact center applications usually triggers the upgrade of all applications which can be complex and costly.
Maintenance	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.	While some maintenance is performed by the vendor or reseller under an additional service contract, premise-based equipment requires in-house IT resources to manage and support it.
Security	SaaS service providers offer a higher level of security than traditional, premise-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.	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.

What to look for in a Service Provider

Contact center executives and managers who are seriously considering a migration from a premise-based system to a SaaS solution need to find a service provider that can deliver the best solution.

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 theirs 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 the new demands for service excellence is pushing contact center executives to look for alternatives to premise-based 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:

1. Eliminate barriers created by obsolete premise-based solutions
2. Achieve excellence in customer service
3. Continue business success.

The Siemens Enterprise Communications Answer

Siemens Enterprise Communications OpenScape Cloud Contact Center is a state-of-the-art on-demand contact handling and agent optimization platform. Siemens Enterprise Communications has been providing call centers with contact handling and agent management tools for well over a decade. 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). Their agent optimization solutions include eLearning, workforce management, quality management, and a dynamic customer feedback and survey application.

Siemens Enterprise Communications has 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.

The OpenScape Cloud Contact Center is delivered via strategically located data centers that it controls and operates; something which no other on-demand provider can claim. It 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 800 call centers, of all sizes

References

¹ Gartner, User Survey Analysis: Software as a Service, Enterprise Application Markets, Worldwide, 2008

² Frost & Sullivan, The New Mantra: "The Agent is King"

³ IDC, Software as a Service: Shifting into a New Gear, March 2008

⁴ destinationCRM.com, Believe the Hype about Hosted Contact Centers, June 1, 2008:

<http://www.destinationcrm.com/Articles/Editorial/Magazine-Features/Believe-the-Hype-about-Hosted-Contact-Centers-49187.aspx>

⁵ Peppers & Rodgers Group, Winning on Service in an Uncertain Economy, 2008

Siemens Enterprise Communications is a premier provider of end-to-end enterprise communications solutions that use open, standards-based architectures to unify communications and business applications for a seamless collaboration experience. This award-winning "Open Communications" approach enables organizations to improve productivity and reduce costs through easy-to-deploy solutions that work within existing IT environments, delivering operational efficiencies. It is the foundation for the company's OpenPath commitment that enables customers to mitigate risk and cost-effectively adopt unified communications.

This promise is underwritten through our OpenScale service portfolio, which includes international, managed and outsource capability. Siemens Enterprise Communications is owned by a joint venture of The Gores Group and Siemens AG. The joint venture also encompasses Enterasys Networks, which provides network infrastructure and security systems, delivering a perfect basis for joint communications solutions.

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