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Finding the Silver Lining in the Contact Center Cloud

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Introduction

The idea of providing contact center technology solutions in the cloud as opposed to on-premise solutions is a topic of great interest in the industry today. It has been the subject of numerous webinars and is continually highlighted in trade publications, trade shows and customer communications.

Delivering services via the cloud, or network, is not a new concept. In the 1980s it was not uncommon to find companies using telecommunications services that were delivered through the cloud, which in this case was the public switched telephone network (PSTN). Called Centrex, the service offered subscribers all the capabilities of an on-premise telecommunications solution without the capital outlay required to acquire the equipment. Instead subscribers paid on a usage bases, adding or removing lines as easily as making a phone call to their Centrex provider. As new technologies, such as voice mail and interactive voice response (IVR) became available, these solutions were also offered on a subscription basis by the Centrex providers.

Today, the cloud typically refers to the Internet rather than the PSTN and the term is used most often when referencing cloud computing, or computing resources that are delivered as a service via the Internet. Cloud computing subscribers access applications through a web browser on the desktop or on a mobile device. The applications and the user's data are typically stored on servers at a remote location. This same type of configuration applies to a contact center in the cloud.

The contact center in the cloud provides contact center applications through the Internet, allowing subscribers to access software on demand, as business conditions warrant. The software as a service (SaaS) aspect of the cloud contact center provides for hardware and software maintenance and management by the service provider while the shared resources aspect of the cloud contact center offers economies of scale for subscribers. Subscribers don't need to worry about installing new software when new releases become available as applications are hosted centrally and shared among subscribers.

A Brief History

Beyond the Centrex arrangement described in the previous section, the contact center industry flirted with network services in the very early 2000s. The Application Service Provider (ASP) model, which was the forerunner to today's cloud model, offered subscribers a variety of contact center capabilities on a subscription basis. Applications and data resided with the service provider and subscribers accessed the applications via a thin client on the desktop.

There were two factors that caused the ASP model to disappear from the industry landscape nearly as fast as it appeared. First was cost and second was data security.

ASP software solutions were offered in fairly rigid configurations, meaning that unless a contact center was able to use the service right out of the box, as it were, the software typically required some degree of customization. Keeping in mind that one of the benefits of the service model was and is shared resources this first issue negatively impacted the savings that come from the shared resources model. Customization was time and labor intensive and the end result was an expensive service that offset any savings offered by ASP providers. Any changes after the initial customization typically required another expensive and labor intensive process. The cost of the initial ASP deployment caused many potential subscribers to turn to a less expensive premise solution instead.

The second issue, data security, was one that the ASP industry could not overcome. With valuable business and customer data being stored off-site, at the service provider's remote location, potential ASP subscribers feared a security breach. Despite the best efforts of the ASP community to overcome these fears they were insurmountable. The final result was the eventual disappearance of most of the ASP population. There are only a handful of survivors from this era still in business today.

The popularity of cloud computing is likely the driving force behind the resurgence of the idea of cloud-based customer service. Mainstream vendors of contact center solutions are now making their offerings available through the cloud, giving this business segment greater legitimacy than it had a decade or more ago, and the proliferation of personal devices that rely on the cloud for applications are easing the acceptance of the idea of a contact center in the cloud.

The flexibility of today's cloud-based contact center services have improved to the point of negating the expensive customization that was part of the ASP solution so pricing is no longer the issue it once was. Other challenges to the cloud still exist, as will be analyzed in the next section.

Vendor Hype versus User Demand

The contact center industry has a history of driving markets based on nothing more than hype, a case-in-point being the customer relationship management (CRM) market of the late 1990s and early 2000s. CRM companies grew and prospered, and in some cases were acquired, despite poor products with a track record of failure. Saddletree Research recalls quarterly CRM sales data that showed more CRM software installations than there were CRM software sales. The culprit behind these lopsided statistics proved to be the installation of "shelfware," which was software that was purchased but never installed.

Media interest in the contact center in the cloud hasn't yet reached the level of hysteria that was generated by CRM a decade ago, but we foresee that as being a distinct possibility. In order to attempt to gauge the level of hysteria that can be expected, the NACC turned to our member community for guidance and a dose of reality.

We asked the 125 end-user NACC member respondents of the 2012 year-end survey about their attitudes and intentions toward the cloud-based contact center and specifically about any plans they had to move their contact center to the cloud. Figure 1 below illustrates the responses to this question.

Figure 1: Intentions/Attitudes Regarding Cloud-Based Contact Center
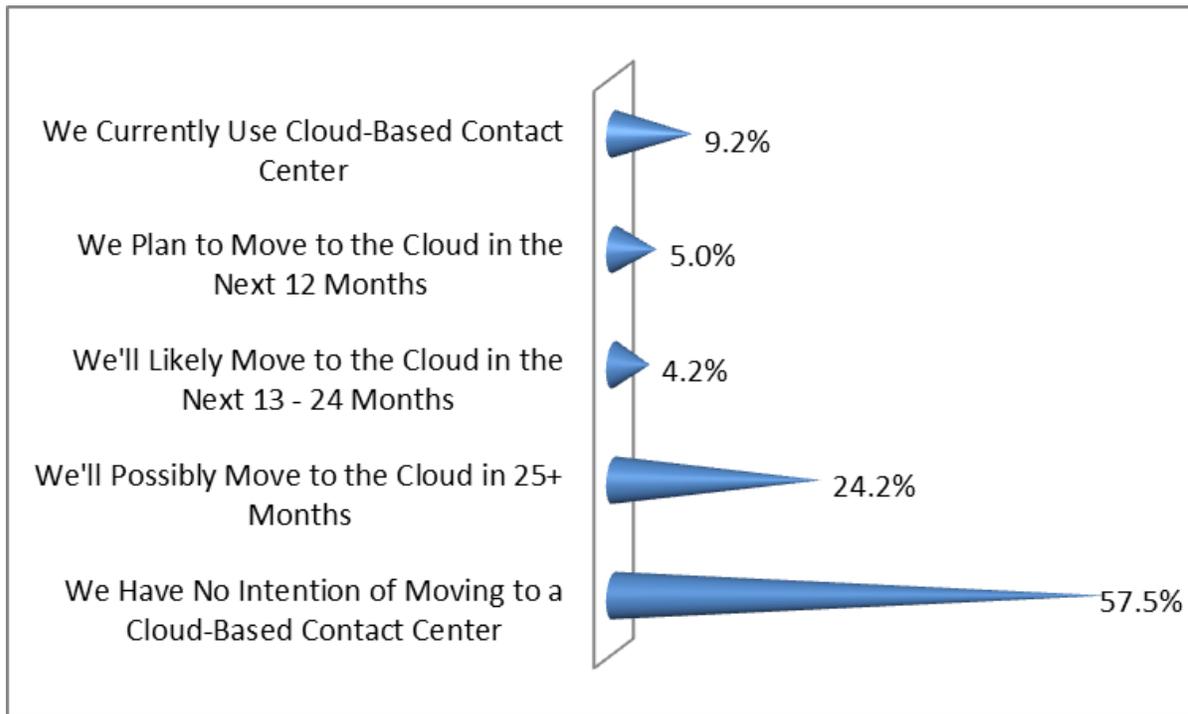
Source: National Association of Call Centers (NACC)
May 2013

This data, which is representative of the industry with a 95 percent confidence level, indicates that market demand for a contact center in the cloud does not appear to be commensurate to the amount of industry noise surrounding the contact center in the cloud. That is not to say, however, that demand for cloud solutions will never rise to the level of current industry hype.

Cloud Demand Inhibitors

While we did not ask those survey respondents who indicated no interest in the cloud-based contact center why they were not interested in the survey, we did follow up with e-mails inquiring as to the reasons behind their lack of interest. The following are direct quotes from study participants who fell into the 57 percent of respondents who indicated no intention of moving to a cloud-based contact center.

From an executive at an industrial supply company:
"We consider security of data an issue. Our company went through the PCI compliance process over the past two years so we would expect any cloud partner to also meet those compliance requirements."

From the director of a military contact center:
"The reason that military contact centers may not be interested in cloud solutions is the inability to connect via internet as the firewalls and security measures offer limited access. There is no way to have a live connection to the cloud without going on a commercial internet gateway and we cannot do that, especially in the Navy."

From the contact center director at a major financial services organization:
"Our concern is 100% data security. As a bank, we have to be extra careful about mitigating identity theft. If customer account information is hacked into, it's our reputation on the line, not the vendors. Unfortunately, I don't see any change in this feeling in the near future."

From the customer care manager at a major manufacturer of pet products"

"We aren't using cloud-based software due to the fact we are a manufacturer. Some of our technology is highly proprietary and we do have some security issues."

At this point the reader should be detecting a theme to these anecdotal participant comments. The security concerns that contributed to the fall of the ASP market over a decade ago still exist in the minds of many contact center executives. Anyone who has had an e-mail address hacked can attest to the fact that despite one's best efforts, the Internet is not a secure medium. This fact has not been lost on the contact center industry.

Who's Buying, Who's Not

Although the majority of the market has no current interest in the cloud-based contact center, there are some market segments that have shown an early interest. Figure 2 below illustrates the vertical markets that comprise the nine percent of the market that have adopted the cloud contact center model.

Figure 2: Vertical Markets of Contact Centers Currently Utilizing the Cloud Model
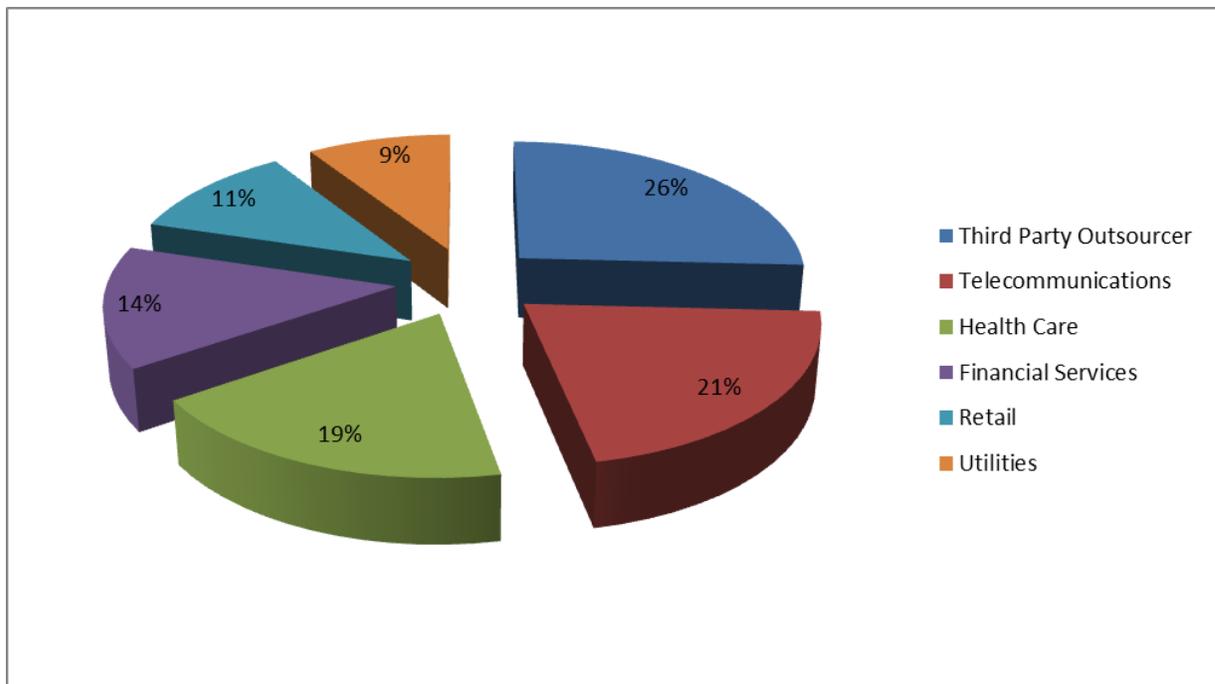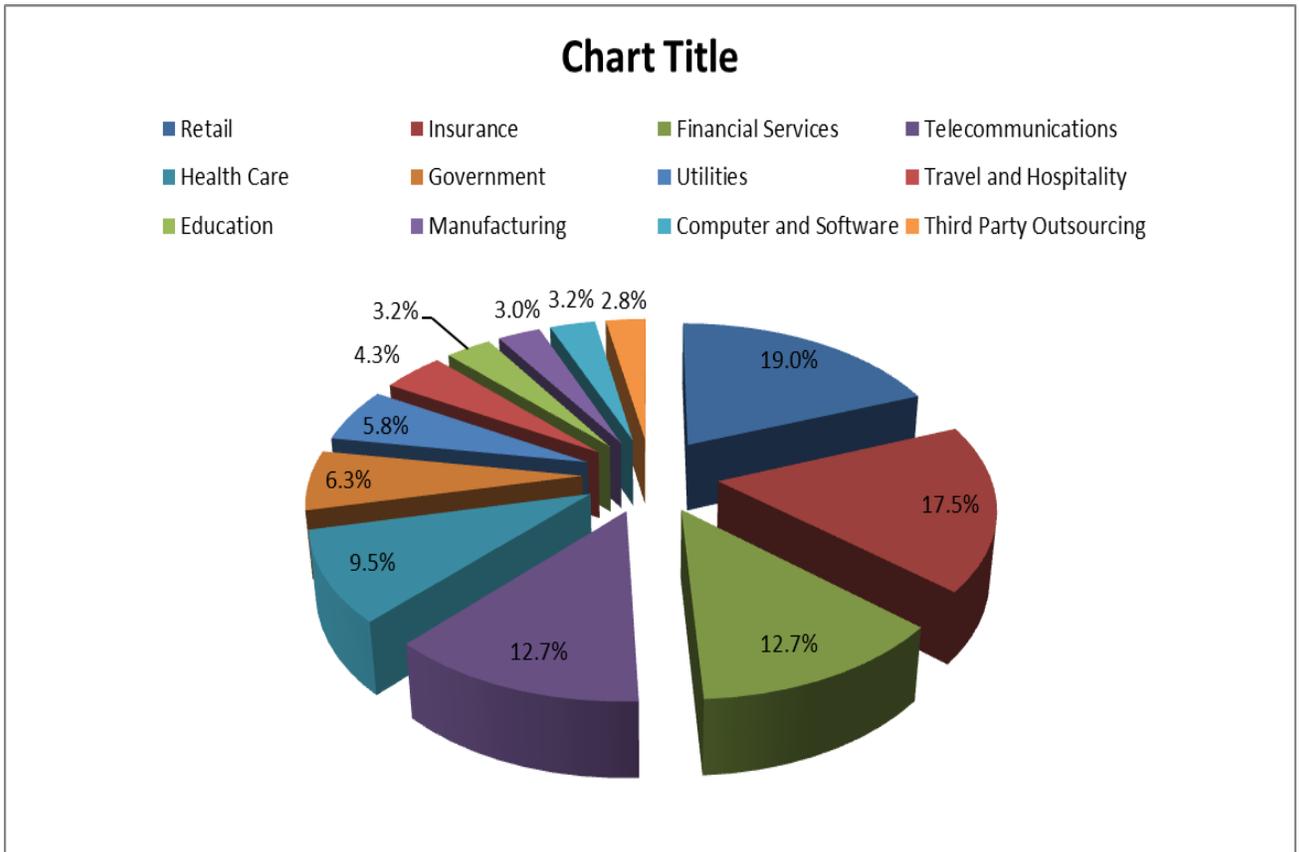

Source: National Association of Call Centers (NACC)
May 2013

Not surprisingly, third party outsourcers lead the cloud early adopters. We believe this is the case because the cloud contact center configuration allows outsourcers to rapidly ramp up or downsize their contact center capabilities as business conditions dictate. Although high volume users such as outsourcers typically have the resources to acquire capital equipment, we believe the capability to quickly add or remove services or capacity makes the cloud a compelling alternative for many outsourcers.

The telecommunications vertical market is comprised of both wired and wireless providers, but we believe the wireless segment of the market is driving the interest in cloud-based contact center service. Subscriber churn is a major challenge for providers of wireless communications services and the flexibility of the cloud contact center allows them to ramp up or downsize capacity as necessary, similar to outsourcers. Wireless providers are also aggressive in offering special promotions in order to gain new subscribers, which often require a quick ramp up of contact center personnel and capabilities. The cloud contact center provides the flexibility they need to meet their solutions capabilities quickly.

On the other hand, 57.5 percent of the market has indicated no interest in moving their contact center to the cloud. The vertical markets of respondents that fall into this category are illustrated in Figure 3 below.

Figure 3: Vertical Markets of Contact Centers with No Intention of Utilizing the Cloud Contact Center

Source: National Association of Call Centers (NACC)
May 2013

Retail ranks among the top vertical markets with extensive customer data and also represents the vertical market with the most respondents with no interest in the cloud contact center. The NACC believes that the data security issues as previously discussed in this report weigh heavily on those who make contact center decisions in the retail segment.

Likewise the insurance vertical, which ranks second in markets with no interest in the cloud, routinely deals with high volumes of confidential customer data. We suspect that data security issues also play a decisive part in any decisions to move the contact center to the cloud.

So Where's the Silver Lining?

It is important to remember that four years ago the NACC annual survey of end-users revealed that 70 percent of respondents had no interest in speech analytics. Today speech analytics tops the list of technology solutions that will be evaluated for purchase in 2013. In fact, of the top five technology solutions that will be evaluated for purchase in 2013, the top four are analytics solutions. The point is, today's results are relevant today only. The situation can change radically during the years to come.

There are clearly issues regarding the cloud-based contact center that dominate the industry. While it may seem that these concerns are insurmountable today, history has proven that clever companies find ways to overcome or eliminate these concerns. It is our belief that time offers the silver lining in the contact center cloud. We believe that given time, cloud-based solutions will find their way to the top of the demand list as speech analytics has done over the past four years.

Conclusion

While there is no doubt that the hype surrounding the contact center in the cloud is inconsistent with the interests of the end-user community today, we believe the contact center industry will be receptive to a stepwise adoption of hybrid cloud contact centers. For example, we believe contact centers will be more willing to have services such as call routing delivered through the cloud while keeping customer information and other sensitive data safely behind the company firewall. If this is the case and acceptance comes at a slow pace, the cloud will offer limited revenue and profit potential over the next three years.

The NACC is familiar with the claims of several vendors that they are getting a lot of buyer interest in cloud solutions, but interest does not always translate to sales. On the other hand, even the small percentage of respondents that will evaluate cloud contact centers in 2013, as illustrated in Figure 1, represents over 2,000 contact centers. This is an attractive prospect base for those suppliers moving into the cloud market.

The cloud-based contact center will be a slow moving market despite the amount of attention it is receiving today. End-users have clearly communicated an immediate interest in solutions that focus on customer collaboration, analytics, big data, workforce optimization and rapidly developing markets such as human capital management. The cloud-based contact center is, in our opinion, a long-term industry trend, but one worth watching nonetheless.