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Solving the Contact Center Puzzle: Embracing the Hybrid Services Model

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INTRODUCTION

Rapidly evolving information technologies (IT) are changing the face of business. Developments such as robust and pervasive Internet-based communications have lowered the cost of business activities including product and service delivery, support, business to business transactions, and others. To remain competitive in this landscape of rapid technical development, contact center operators benefit from opportunities to adapt, embrace, and innovate to satisfy heightened customer expectations and achieve the agility to take advantage of rapidly changing business landscapes.

Hosted solutions, available from providers as Internet-based services, have addressed many of these needs by improving productivity, reducing business exposure, and increasing agility to innovate and meet changing demands. Yet the move to a hosted solution is not straightforward. Companies with existing *premise-based* operations must seek partnerships that protect existing investments with strategies to extend their functionality with hosted offerings and strong professional services. New business entrants benefit from much lower financial and logistical barriers to establishing a contact center and gain the flexibility to easily scale up or down in step with business fluctuations.

This paper will explore premise-based and hosted models, survey the hosted functionality currently available, and discuss selection criteria for a third model, *hybrid*, which combines aspects of both premise-based and hosted models by selecting matching business objectives with service offerings.

PREMISE-BASED CONTACT CENTERS

In a premise-based contact center, equipment such as private branch exchanges (*PBX*), automatic call distributors (*ACD*), interactive voice response (*IVR*) systems, fax systems and predictive dialers are all owned, operated and maintained by the contact center organization. Any additional systems, such as databases, security, disaster recovery and the business software that adds value to these core systems, and the associated support staffing, are also the contact center owner's responsibility.
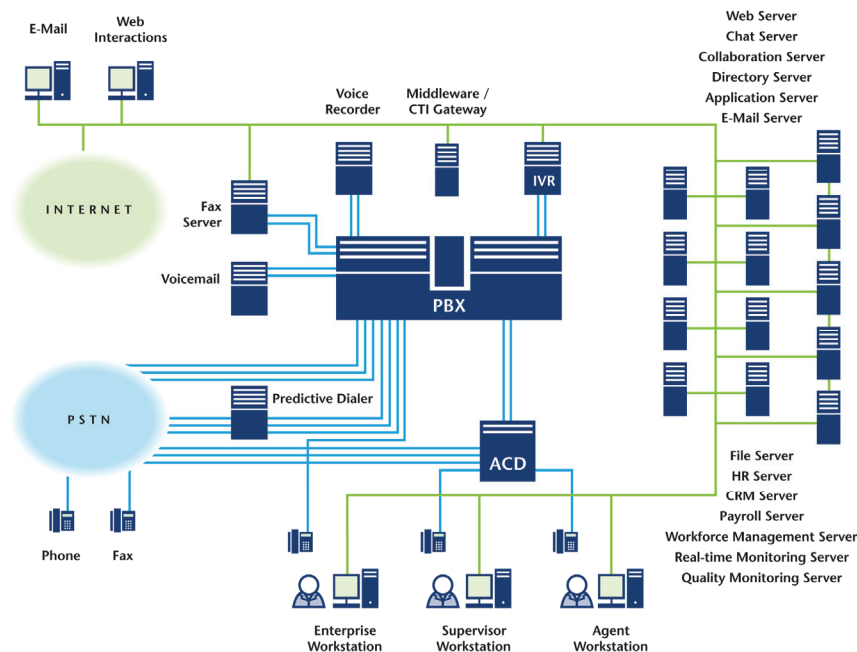

Figure 1: Premise-based contact center environment

Premise-based
In a premise-based environment, an organization owns the infrastructure. It is responsible for installation, maintenance, and upgrades to the system(s).

HOSTED CONTACT CENTERS

A hosted contact center is an Internet-based environment which is owned and operated by a service provider. In the hosted model, the provider leases access to contact center hardware and software features to client organizations for a fee which may be based on usage metrics or a flat rate, typically charged per month. The ubiquitous access provided by the Internet allows flexibility to easily connect geographically distributed resources such as regional offices and home-based *teleworkers* into unified contact center environments. The hosted model typically offers lower cost of ownership, improved productivity, and simpler access than premise-based systems.
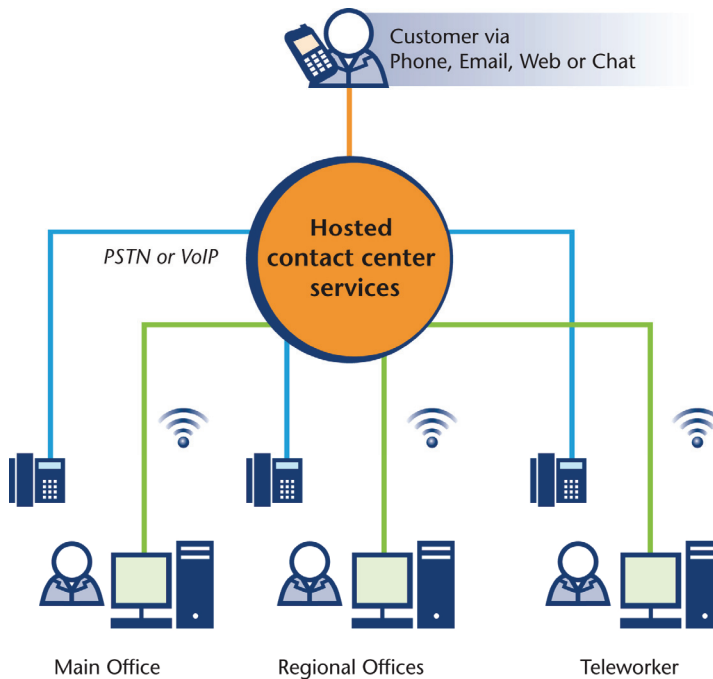

Figure 2: Hosted contact center environment

Hosted
In a hosted environment, a service provider owns the infrastructure. The organization accesses the system by way of the Internet and pays a monthly subscription fee. Organizations don't have to build, install, maintain, or upgrade hosted systems – it is fully managed by their service provider.

PREMISE-BASED VS. HOSTED BUSINESS MODEL

Organizations of all sizes now have more alternatives to the traditional premise-based contact center environment. Mature, comprehensive hosted solutions can fundamentally improve the business model of running a contact center. Indeed, Frost & Sullivan has forecasted that overall hosted revenues will grow at a compound annual growth rate (CAGR) of 34.1% from 2006 through 2013. For small companies they predict even more aggressive growth at a CAGR of 41.3%.

The right choice of hosting plan can dramatically reduce the financial risks inherent in the high fixed upfront and running costs of a premise-based contact center. On demand scalability and flexibility allows an organization to add and remove seats and functionality as needs change, fine tuning operational expenditures to meet changing business goals. The ability to bend with the wind can offer users of hosted services relief from the risks intrinsic to running a premise-based contact center.

- **Hybrid operation.** Many established organizations face the additional challenge to protect existing contact center capital investments in equipment, floor space, and related items. These companies need ways to build on in-house systems to realize robust business solutions that encompass human resources (HR), training, customer relationship

management (*CRM*), reporting, scheduling and timekeeping, attendance, *quality monitoring*, and other needs. The right choice of hosted service provider can help fill in these gaps in their contact center operation with lower cost, on demand services. Small and medium sized businesses that augment their premise-based systems with hosted solutions benefit from scalability and flexibility, as well as a clear migration path toward a pure hosted contact center in the future.
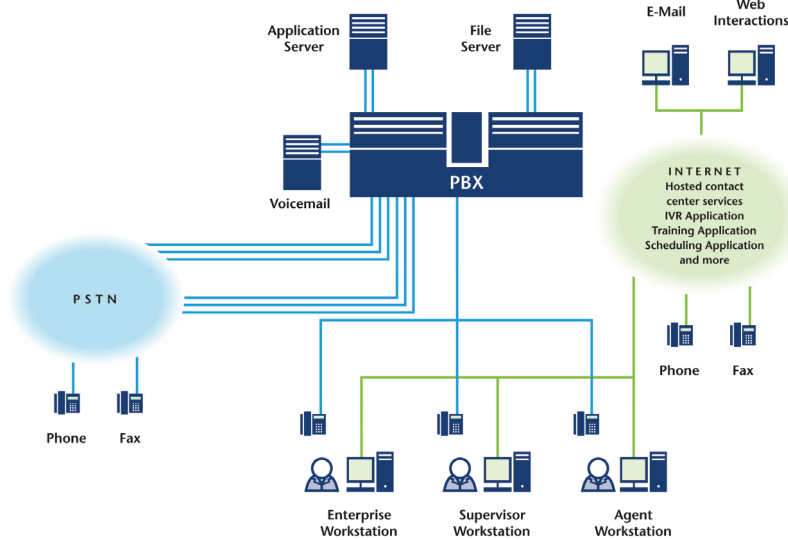

Figure 3: A hybrid contact center leverages existing contact center infrastructure with hosted services modules

Hybrid
A hybrid environment is one in which core components such as PBXs and file servers are premise-based, while additional contact center applications such as training and human resources are hosted. Organizations may choose to operate in hybrid mode indefinitely, or choose to migrate to a purely hosted environment over time.

- **Operational vs. capital expense.** Since hosted service providers assume most or all of the equipment and other capital costs and then rent access to that infrastructure, client organizations can shift their contact center from a capital to an operational expense. Operational expenses simplify procurement, ease revenue burdens, and provide tax benefits by allowing costs to be claimed outright rather than depreciated over a number of years. Contact centers using hosted services typically see a payback time on their investment of less than a month, rather than months or years for a premise-based system. By embracing a hybrid configuration, premise-based contact centers can benefit from a shift to operational expenses as they further build out their contact center functionality.

- **Lower barriers to entry.** For small and medium sized businesses seeking to establish contact centers, the substantial initial investments of time and money to get a premise-based operation up and running has been a significant barrier. The hosted model eliminates these obstructions, allowing organizations to get a contact center up and running for a nominal subscription fee, and often with virtually immediate roll-outs. In fact, a Frost & Sullivan cost comparison of a 100 agent premise-based and hosted contact center showed a 64% savings in the first year for the hosted solution. While not as dramatic, savings in subsequent years can be expected to remain substantial. A hybrid solution can provide operators with a way to quickly realize these benefits.

- **Business continuity.** In addition to higher start-up and day-to-day operational costs, premise-based contact centers carry inherent risks of unplanned expenditures such as equipment replacement and repair, and data recovery, along with the accompanying business disruptions. Hosted services ensure business continuity as part of a nominal subscription fee, removing most budgetary and planning variables associated with operating a contact center and freeing resources for investment in core objectives.

- **Flexibility.** Premise-based contact centers involve considerable commitments to investments that are relatively inflexible over time. For example, a much needed capacity expansion may only become available months too late, after additional hardware has finally been installed following a lengthy procurement process. Contact center planners need crystal balls to make the right selections that will allow them to remain competitive throughout the life or lease cycle of their choices. The hosted model frees organizations from the tyranny of needing to guess how their industry, their market, and technologies will change over a number of years. When partnered with the right provider, organizations gain agility to quickly scale up and down, add and remove features, and offer innovative solutions that address competitive pressure and market opportunities quickly.

- **IT costs.** Contact centers are complex beasts. Each component requires detailed knowledge to install, configure, integrate with others, and then to support over time. Premise-based contact centers incur the cost of IT staffing to support these environments, as well as the additional systems, such as backup and recovery, that they need to do their jobs. Frost & Sullivan estimates that IT represents over 18% of premise-based contact center costs. Hosted services can dramatically reduce this cost by centralizing IT activities and amortizing the cost across their entire customer base. Because the economics of the hosted model allow deeper and more robust IT services in areas such as fail-over, disaster recovery and security, contact center operators realize superior results at lower costs. At the same time, by removing the burden of IT complexities from the equation of running their business, they are freed to focus on core objectives. A common example of these benefits is the enhanced ability to protect customer and proprietary data, both for regulatory and business reasons. The security available by default with many hosted services would be prohibitively expensive for many premise-based contact centers to afford.

- **Consolidation.** A carefully selected hosted service will consolidate many functions traditionally contracted from several suppliers into a single, unified service, thus reducing vendor count, associated management, and administrative costs. For example, conventional contact centers may need to maintain relationships with PBX, ACD, dial tone and many software vendors ranging from knowledge management and trouble-ticketing to HR and training management. Since a comprehensive hosted service can provide access to all of this through commodity handsets and PC/browsers, and leverages a single, unified database, vendor count is reduced from many to one.

A wide range of factors described in this section, including vendor consolidation, lower IT costs, and greater agent flexibility taken together have both direct and indirect impacts that lower cost per call when compared with premise-based contact centers by lowering absolute expenditures and improving productivity. These benefits are available to augment core premise-based functionality as modular hosted services in a hybrid configuration. By consolidating information in a single database, hosted contact centers also confer the benefits of a single point of data entry and unified reporting. Hosted services are rapidly deployable, available on demand, and carry lower costs. Seats and functionality can be scaled as needed to match needs and allow financial obligations to be tuned to business conditions as well.

FUNCTIONALITY OF HOSTED SERVICES
Hosted contact center services provide a wide range of functionality, much of which would be difficult for all but the largest organizations to implement on their own. At a minimum, they enable a subset of contact center functionality, such as training and HR features. Many additional pieces of the contact center puzzle are available and a well-designed hosted service will consolidate access to all operational and client-related data, transparently enabling rich and compelling interactions between applications that have traditionally been siloed along vendor lines in the premise-based approach. Contact center operators benefit from a single view of their customers, enabling personalized, targeted and appropriate communications.

- **HR management systems.** These allow contact center operators to administer key aspects of their staffing such as defining job roles, responsibilities and requirements, and employee-specific processes such as hiring, termination,and performance reviews.

- **Training support.** From the time an individual is hired and throughout their employment, developing, maintaining, and augmenting skills are critical to achieving full effectiveness. A hosted training system provides tools to manage organizational training requirements. Organizations need to be able to assess training needs, schedule training, administer trainers, and track testing, certification and refresher training over time.

- **Call recording.** Contact center operators in sectors as diverse as finance, health, manufacturing and government face stringent regulatory requirements to maintain and secure records of client transactions. Hosted services that offer call recording and archiving enable low cost compliance. Random call sampling and recording, even of remote agents, provide contact centers with low cost quality assurance tools and coaching aids.

- **Consolidated data storage.** Consolidating data at the hosting service facilities provides a single point of information access and management within a unified database, with significant benefits for the contact center. Applications as diverse as CRM and quality assurance share the same integrated data, allowing organizations to take a single, comprehensive view of the customer and improving business intelligence. When combined with robust backup and recovery regimes, consolidated data storage reduces the risk of data loss and shortens downtime. Some contact centers require direct access to hosted data, whether to meet contractual obligations to maintain local backups, or to meet specific

needs such as sales and marketing queries and reports. A carefully selected hosting service will provide the access needed to meet these needs.

- **Outbound dialing support.** To be truly effective, this may include software systems to facilitate targeted campaigns and associated resource management.

- **CRM.** These applications help contact center organizations to carry out such activities as tracking communications history, assigning tasks, and scheduling follow ups. Automating agent access to such information at the time of a call is central to a hosted service's ability to provide a single view of the customer.

- **First call resolution.** Because hosted services offer advanced features such as skills-based ACD, rich information management tools including ordering, knowledge bases, trouble ticketing, and collaboration can be contextualized to the customer history. Achieving first call resolution targets becomes realistic for many contact centers that formerly struggled with disconnected systems that forced customers through multiple service windows to achieve resolution. The efficiencies gained through a higher percentage of first call resolutions translate to more effective staffing and lower payroll costs. Similarly, agent and, more importantly, customer satisfaction with the call experience improves significantly. With the goods and services offered by more and more enterprises becoming commoditized and barriers to customer loss falling, the ability of the hosted service to maximize first call resolution performance is a powerful advantage for the contact center operator.

- **Reporting and analysis.** Hosted providers can provide enhanced reporting and business insights by taking advantage of the consolidated nature of their databases. Reporting and analysis can assist in identifying performance gaps, analyzing trends, and planning future allocations of resources that maximize benefits.

- **Physical costs.** Premise-based contact centers incur expenses to rent floor space for equipment that the hosted model relocates to the service provider's location, and for agents who the hosted model allow to work from home using a simple handset and browser. Not only does the contact center benefit from much lower costs, turnover among home-based agents and the associated costs in recruiting, training, and administration are typically lower.

MATCHING NEEDS TO A HOSTED SERVICE

Both those organizations establishing new contact centers and those with established operations benefit from the professional services offered by an experienced and knowledgeable hosted service provider. The ability to assess future goals in the context of current practice and operational constraints based on deep understanding of contact center best practices and technologies can provide the contact center operator with valuable technical and business needs analysis and planning. Not all hosted services are created equal, and businesses planning to launch or embrace aspects of a hosted contact center must carefully

match their business and technical needs to the options available. The following section discusses some key points to keep in mind when selecting a hosted service.

- **Functional flexibility.** Many existing contact centers have made considerable investments in equipment, configuration and customization, and staffing and training of support positions. These organizations face complicated challenges to extend their contact center operations with business-enabling solutions such as HR, training, and CRM. To successfully make use of the hybrid model, these organizations need the flexibility to selectively augment contact center components. Service providers that are sensitive to these needs can offer customized solutions that facilitate premise-based contact centers now while also enabling a staged transition from a pure premise-based to a pure hosted solution when current investments are retired. Such arrangements protect current investments while providing immediate opportunities to begin reducing costs and gaining efficiencies.

- **Scalability.** All businesses must be able to respond to changing business conditions by matching expenditures to revenue. While large organizations may safely measure their response time to these changes in months, start-ups and small to mid-sized businesses must make adjustments immediately, scaling their contact centers down as well as up on demand to meet changing conditions and protect their financial stability. A hosted service provider that works with contact center operators by permitting month-by-month changes to seat count can offer significant strategic advantages over offerings that lock their customers into inflexible long-term agreements.

- **Extensibility.** Similarly, businesses need to make decisions about their choice of hosted contact center that will give them the agility to engage customers with cost-effective and timely communications. While the selection criteria will vary widely from organization to organization, at a minimum most contact centers need the ability to add and remove individual hosted services and applications on demand. Hosted providers that extend their web offerings with simple to use web-based frameworks provide managers, business analysts, and other non-technical employees with even greater flexibility to extend web-based solutions into customized business applications. When businesses need to meet specialized objectives such as specialized reporting, hosted vendors that support standards such as .Net and publish their programming interfaces ensure that contact center operators have the flexibility to build their own tools to interact with hosted systems and data.

For existing premise-based contact centers handicapped by a lack of critical business systems, augmenting their core systems with their choice of hosted services in a hybrid configuration can fill in critical gaps. Selecting a knowledgeable service provider with deep professional services skills is vital to success and ensures the development of a comprehensive plan that matches the organization's needs to the service provider's offerings. They will also have the technical expertise to integrate hosted services into existing premise-based infrastructure, ensuring a seamless deployment.

CONCLUSION

Hosted services are dramatically changing the face of the contact center for operators of all sizes and across diverse industries. By aggregating centralized equipment, development, support and maintenance expenses across a broad customer base, providers of hosted services can lower the costs, time, and complexity associated with establishing and operating a contact center. Moreover, users of hosted services generally benefit from improved business planning and agility, improved ROI, and lower risk exposure than premise-based operators. Adopting a hosted service is a first step to success. However, to gain full advantages from lower barriers to entry, businesses establishing new contact centers must take care to choose appropriate solutions that allow them to scale up and down, adjusting to changing business conditions, as well as adding and removing features on demand.

Organizations with existing contact centers face complex challenges to come up with migration strategies that allow them to take advantage of select hosted services while protecting current investments in hardware and software. For these organizations, success involves a hybrid approach which integrates hosted services with legacy systems in partnership with their service provider's professional services group.

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Holding 30 years of contact center experience, customers trust Circumference Technology Services, Inc. for hosted technology and professional services.

Circumference On!Core™ is an ideal solution for both new and ongoing contact centers that want to realize the full benefits of a hosted service. Hybrid and hosted contact center environments that have implemented *On!Core* are able to combine on-demand scalability, modularity, a single point of data entry, consolidated reporting, and deep professional services expertise.

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Figure 4: Circumference On!Core

The *On!Core* family of complementary, web-based contact center service modules are implemented in both hosted and hybrid contact center environments. *On!Core* empowers business leaders to select only the functionality their unique contact center operation requires, thereby streamlining and automating business processes.

REFERENCES

Frost & Sullivan, <u>The Hosted Model: Why It's Revolutionizing the Contact Center Industry</u>, 2007.