CLOUD CONTACT CENTER: STATE OF THE MARKET 2019

OMER MINKARA

VP AND PRINCIPAL ANALYST

CONTACT CENTER AND CUSTOMER EXPERIENCE MANAGEMENT

17981

ABERDEEN

What is Cloud Technology?

Cloud technology has been a part of the enterprise technology ecosystem for a while. It's used as a deployment model for various software applications, including contact center platforms, CRM, and ERP. It provides an alternative to the traditional, on-premise enterprise software model.

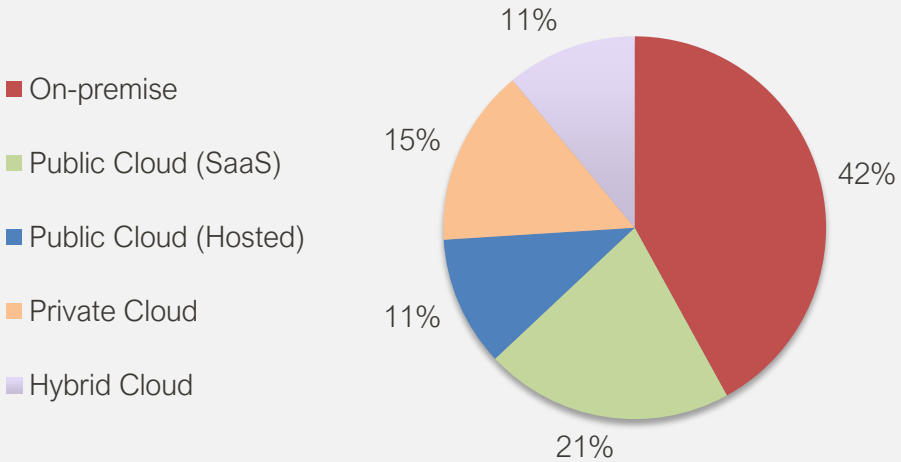
Aberdeen defines a cloud-based contact center deployment as one where the company contracts with a third-party provider to deploy and manage part of — or the entire — contact center infrastructure. Cloud-based contact center deployment requires no investment, such as a purchase of hardware or software. Instead, the company pays licensing fees to the third party based on numerous factors, such as the number of seats or applications used. This adds flexibility to the business as the company reduces fixed costs in favor of variable costs.

In comparison, an on-premise deployment model requires the company to invest in hardware and software to host and manage customer care applications within its own facilities, which results in more fixed costs.

Adoption of Contact Center Deployment Methods

- For most contact center leaders, cloud technology isn't anything new. But firms haven't adopted Cloud as deployment at the same pace they did for CRM for the contact center — despite using cloud technology to manage customer data through CRM systems. However, this is changing. Aberdeen's research shows that 58% of contact centers currently use a cloud-based contact center platform.
- To contextualize the findings in the below chart, it's important to discuss the respondent demographics. Aberdeen surveyed 354 business responses to create this report, with an average seat count of 186. Of these respondents, 45% had fewer than 50 seats, 33% reported between 50 to 200 seats, and 22% reported greater than 200 seats. This data represents contact centers of all sizes.

More Than Half of Contact Centers Use Cloud Technology



All Respondents

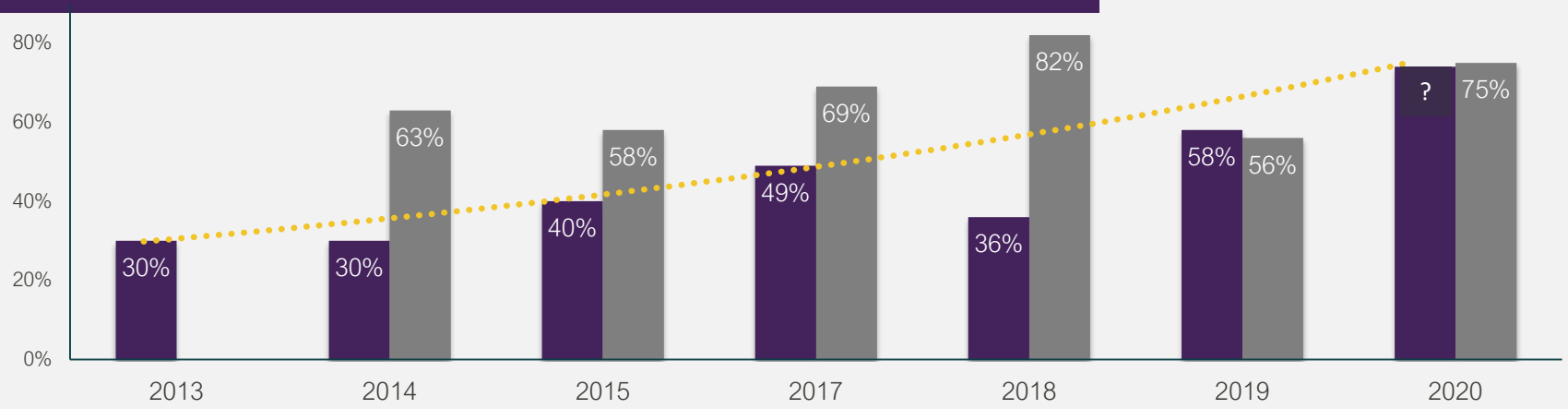
n = 354 • Source: Aberdeen, November 2019

ABERDEEN

Cloud Contact Center Adoption is on the Rise

- Contact centers have increased cloud technology adoption of cloud platforms by 93% between 2013 and 2019. The yellow trend line in the chart below shows how actual adoption rates have changed during that seven-year period.
- Each year, firms plan which technologies they will consider pursuing the following year with plans subject to change for a plethora of reasons, so higher *planned* adoption rates than *actual* adoption rates is typical.
- Interestingly, adoption rates in 2018 vary from the broader trend; this is because as cloud adoption rises, companies mature in their understanding of why and how to use it. Firms that are unwilling to establish the right building blocks may stop using Cloud, but those that have been able to establish the right capabilities to get the most out of cloud technology continue to use it. Ultimately, the data shows that more firms understand and have invested in cloud technology; hence, the adoption rates continue to rise.

Contact Centers Continuously Increase Cloud Adoption



n = 1,726 • Source: Aberdeen, November 2019

ABERDEEN

Factors Driving Cloud Investments

- The previous page illustrates the rise in cloud adoption across contact centers. The table below shows the drivers behind the increase. Overall, improving financial agility (with decreased fixed costs through on-premise investments while implementing a variable cost model where contact center costs would be influenced by actual customer traffic) is the number one driver behind cloud technology investments.
- Contact centers also invest in cloud technology for the ability to scale up during times of increased customer traffic and scale down during slower periods — simply by adding licenses rather than buying additional hardware that would add more fixed costs for the business. Firms also say they see cloud technology as a way to enhance security and compliance while providing agents with superior applications, which may be cost-prohibitive using the on-premise model.

What Are the Top Reasons Contact Centers Adopt Cloud Technology?

Top Factors (n = 354)	Cloud Technology Users
Adopt a flexible financial structure by converting fixed, contact-center-deployment costs into variable costs	56%
Reduce operational expenses (i.e., set-up, maintenance, and updates) for the contact center	54%
Enable flexible adaptation to changing call volumes	54%
Reduce contact center reliance on IT thus freeing IT to focus on more strategic initiatives	51%
Enhance security and compliance	49%
Use previously-allocated IT resources in more innovative projects	48%
Improve agility-of-business with flexible systems that allow rapid experimentation / iteration	45%
Increase uptime through more redundant carrier integration	45%
Provide agents with access to better applications that may be fiscally prohibitive in-house	44%

Expected vs. Received Cloud Technology Benefits

- The previous page depicted the expected benefits from cloud technology investment. The findings listed under the "Received" column on the table below reveal whether firms report experiencing these benefits after adopting a cloud contact center. Almost all factors have similar percentages for "Expected" and "Received" benefits. (Consider small discrepancies, like a 5% difference, an insignificant variance.)
- Respondents expecting benefits (like more predictable costs or shifting easily to changing customer volume) report that they have often observed *no* benefits. Why didn't benefits manifest? Because, these firms didn't put the necessary building blocks in place to achieve them. For example, firms that observed improved customer-volume scalability are 79% more likely to routinely forecast customer traffic across all channels and adjust activities accordingly. It's imperative that firms establish the building blocks to achieve the goals behind their cloud adoption.

Why Do Some Contact Centers Receive Benefits from Cloud Technology?

Top Factors (n = 354)	Expected	Received
Adopt a flexible financial structure by converting fixed, contact-center-deployment costs into variable costs	56%	38%
Reduce operational expenses (i.e., set-up, maintenance, and updates) for the contact center	54%	43%
Enable flexible adaptation to changing call volumes	54%	42%
Reduce contact center reliance on IT thus freeing IT to focus on more strategic initiatives	51%	44%
Enhance security and compliance	49%	46%
Use previously allocated IT resources in more innovative projects	48%	45%
Improve agility of business with flexible systems that allow rapid experimentation / iteration	45%	48%
Increase uptime through more redundant carrier integration	45%	45%
Provide agents with access to better applications that may be fiscally prohibitive in-house	44%	52%

What's Stalling Cloud Technology Adoption?

- Aberdeen's survey asked participants why contact centers using an on-premise model (without plans to move to the Cloud) choose to stick with this deployment model. The table below reveals that the top reason is a desire to maintain control of data internally, which is typically influenced by an effort to ensure security and compliance. This is interesting, as many of these firms utilize cloud technology for their CRM systems to store customer insights.
- Cloud users report the technology meets their security and compliance expectations: The number of companies investing in cloud contact centers for improved security or compliance and the number of firms reporting receiving this benefit are almost identical. This is important, as it means on-premise users can learn how their peers (who have already adopted cloud technology) address data security concerns while benefiting from various aspects of cloud technology, including both predictable costs and enhanced scalability.

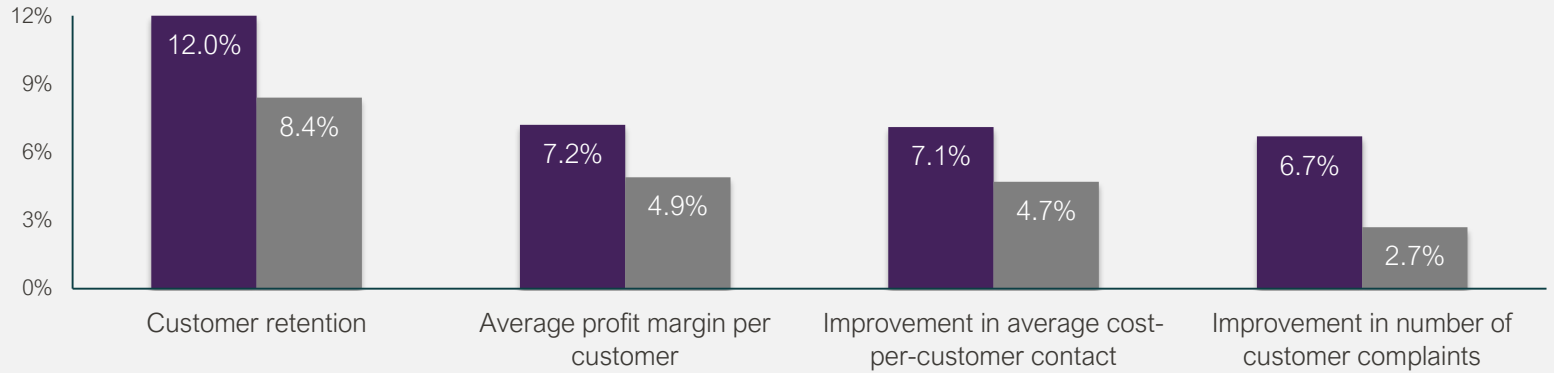
Why Haven't On-Premise Contact Centers Moved to the Cloud?

Top Reasons Why On-Premise Contact Centers Haven't Shifted to Cloud Technology (n = 354)	On-Premise Contact Centers
Desire to maintain full control over data internally	52%
Lack of budget necessary to deploy new technologies	41%
Struggle aligning all stakeholders to change technology infrastructure	40%
Need to justify investment in existing on-premise tools	34%
Concern over complexity of cloud transition / lack of internal expertise to successfully manage it	32%
Risk of business continuity / disruption	29%

Cloud Contact Centers Achieve Superior CX Results

- To reveal how cloud technology influences contact center performance, Aberdeen compared the year-over-year results observed by companies using cloud contact center platforms versus those using on-premise platforms. Cloud technology users outpace non-users across various customer experience metrics. Cloud users enjoy a 43% greater customer-retention rate (12.0% vs. 8.4%) and 2.5 times greater annual improvement (decrease) in the number of customer complaints (6.7% vs. 2.7%) compared to on-premise users.
- The CX gains depicted below reflect a company's ability to scale activities more effectively based on varying customer traffic, which minimizes the risk of lengthy wait times for a customer to speak with an agent and leads to reduced customer frustration.
- The findings also reveal that cloud users enjoy 51% greater annual improvement (decrease) in average customer-service costs compared to on-premise users (7.1% vs. 4.7%). Providing agents with effective tools that enrich productivity and reduce handle times facilitates decreases and contributes to cost savings.

Cloud Users Enjoy Greater Annual Performance Gains Across CX Metrics



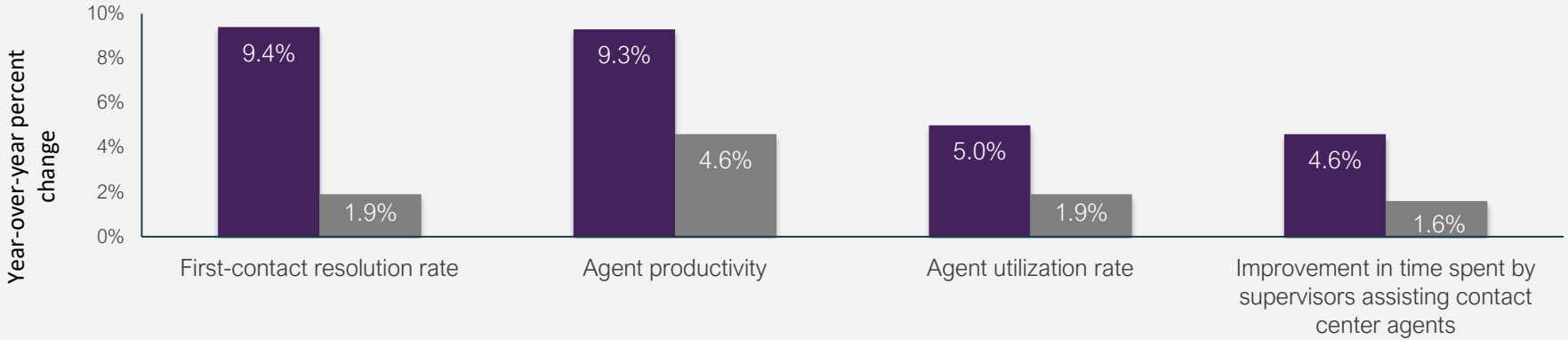
n = 354 • Source: Aberdeen, November 2019

ABERDEEN

Cloud Contact Centers Enjoy Superior Annual Efficiency Gains

- While creating satisfied customers is top-of-mind for contact center leaders, it's important to remember that building and managing an efficient contact center has a direct and significant effect results. The chart below shows that cloud users observe far greater annual performance gains across various measures of operational efficiency. These include 2.0 times greater annual increase in agent productivity (9.3% vs. 4.6%) and 4.9 times greater annual improvement in first-contact resolution rates (9.4% vs. 1.9%).
- There is clearly a correlation between using cloud technology and achieving efficiency gains. However, it's important to remember that, much like any technology, cloud deployment delivers results when it is used the right way. This means establishing all necessary building blocks (i.e., regularly forecasting customer traffic across all channels to optimize scheduling and using analytics to optimize routing).

Cloud Users Observe Greater Agent Productivity and Reduced Repeat Customer Contact



n = 354 • Source: Aberdeen, November 2019

ABERDEEN

Key Takeaways

Flexibility, cost savings, and CX improvements fuel cloud adoption across contact centers.

Aberdeen's research shows that contact centers have increased adoption of cloud technology by 93% between 2013 and 2019. While firms have a variety of goals, the primary drivers pushing cloud-contact-center-platform adoption are common:

- Introducing greater financial flexibility by making technology costs variable (Cloud) rather than fixed (on-premise).
- Gaining greater agility to respond to changing customer traffic.
- Empowering agents with the tools they need.

Cloud technology users report annual gains in operational efficiency and CX results.

Contact centers measure success through metrics (i.e., average handle times, first-contact resolution rates, and agent productivity) and by observing changes in the CX results reflected through customer satisfaction rates, customer loyalty, and customer effort. When companies use the benefits of cloud technology to scale their activities (up and down) to adapt to changing customer volume, they provide agents with the tools needed to enrich customer interactions, which leads to improvements in efficiency and CX performance results.

Adoption isn't enough to maximize results. Utilize best practices to achieve the goals driving cloud investments.

Cloud is merely a technology means used to access applications; *how* the contact center uses cloud applications determines success. To get the most of cloud technology, focus on the following:

- Regularly monitor customer volume and scale use of contact center platforms accordingly.
- Monitor agent performance and productivity; provide agents with features that will allow them to work more efficiently.
- Use cost savings from technology deployment to fund innovative projects.
- Streamline CX activities by making better use of data.