The Hidden ROI of a Cloud-based Contact Center

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Between March and July of 2012, Aberdeen surveyed 487 contact center executives to determine key trends and best practices that impact the customer care executives' agenda in 2012. One of these trends is the deployment of cloud-based infrastructure used to host contact center activities. Findings revealed that 34% of businesses currently use a cloud-based contact center (see sidebar). An additional 28% of organizations indicated plans to deploy a similar infrastructure within the next 12 months — indicating that six out of 10 contact centers plan to have cloud-based deployment by the end of 2013.

Subsequent to the study noted above, in December 2012 Aberdeen surveyed 101 contact center executives regarding their contact center infrastructure and 2013 plans. This Aberdeen Analyst Insight utilizes the results from this survey to demonstrate the top factors driving businesses to invest in a cloud-based contact center as well as the post-deployment benefits they gained through improved scalability. Additional findings included within this report show that cloud-based contact centers are more likely than traditional internal contact centers to deploy business activities and technologies that help them realize quantifiable results while improving overall customer experience.

Customer Satisfaction is the Real Source of ROI

Aberdeen's June 2011 _The Business Value of a Cloud-based Contact Center_ study revealed that 64% of organizations investing in a cloud-based contact center infrastructure were driven by the need to address rapidly changing customer demand by making optimal use of their existing resources (i.e. agents). Table 1 below highlights the value of a cloud-based deployment in helping customer care executives accomplish this objective. Research shows that cloud-based contact centers enjoy **27% lower annual costs** ($112.5 million vs. $155.0 million) associated with customer turnover, compared to their peers.

Table 1: Better Customer Experience = Better Results

Data Summary (in $ thousands)	Cloud-based Contact Centers	Traditional Internal Contact Centers
Annual Cost of Customer Turnover	$112,500	$155,000

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Data Summary (in $ thousands)	Cloud-based Contact Centers	Traditional Internal Contact Centers
Annual IT Staff Costs related to Contact Center Activities	$503	$259

Source: Aberdeen Group, December 2012

In order to determine the annual cost of customer turnover, Aberdeen used a mix of key variables that impact customer turnover within a contact center. Findings from the November 2012 *Multi-Channel Contact Center: Delight Customers where they Live* study shows that an average contact center receives approximately 2.5 million customer contacts each year. This number has been used in conjunction with the average customer contact abandonment rate for both cloud-based contact centers and their peers (4.5% vs. 6.2% respectively). *Assuming* that one out of 10 unaddressed customer contacts result in customer turnover and each lost customer costs $10,000 for the business, this equation (2.5 million times 4% times 1/10 times $10,000 equals $112.5 million — for Cloud-based Contact Centers) indicates that the value of addressing customer traffic in a timely manner (and reducing abandonment rates) helps cloud-based contact centers deliver quantifiable ROI.

Interestingly enough, contrary to their cost advantage driven by better customer experience — cloud-based contact centers incurred greater IT staff costs compared to traditional deployment models. Survey results indicate that these businesses require twice as many (14 vs. 7) dedicated IT staff to manage their contact center activities, compared to others. Average call volume in both categories is similar. Upon further analysis and direct end-user interviews, research shows that **cloud-based contact centers are far more likely to implement and monitor crucial processes and technologies that drive improved performance, compared to their peers**. This focus on utilizing differentiating business processes and technologies means that cloud-based contact centers require more IT staff time in order to successfully implement and support the activities that are further illustrated within the "Key Differentiators" section of this paper. The source for greater IT staff costs incurred by cloud-based contact centers is thus associated with these building blocks.

It's important to note that, while IT support in establishing and / or managing mission-critical activities results in greater IT staff costs for cloud-based contact centers, it helps these businesses enjoy **36% less time (2.4 hours vs. 3.7 hours) in contact center activity interruption**, compared to other companies. By reducing contact center downtime, businesses reduce unaddressed customer inquiries that can result in abandoned contacts (i.e. calls) and lost clients. The delta between the cost of customer churn incurred by cloud-based contact centers versus traditional internal contact centers as well as the difference in IT staff costs validates the value of investing in top-notch processes that help companies deliver quantifiable results (see Table 1 above).

Fast Fact

Thirty-one percent (31%) of cloud-based contact centers update their disaster recovery plan at least on a quarterly basis, compared to 15% of other contact centers.

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Business Context

Findings in Figure 1 affirm that delivering customer delight outweighs other key objectives such as increased agent productivity and reduced IT costs when it comes to why contact centers invest in a cloud-based infrastructure.

Figure 1: Customer Experience Drives Cloud-based Deployments

Percent of respondents, n=101
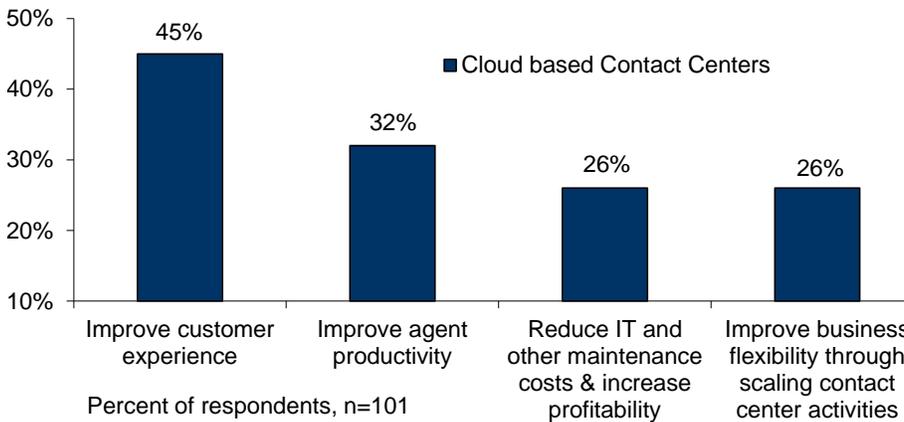
Source: Aberdeen Group, December 2012

This focus on improving overall customer experience results also puts the ROI calculations in Table 1 into context. One of the primary advantages of a cloud-based contact center is the ability to scale computing resources up and down as needed (see sidebar). Aberdeen's June 2012 *Workforce Management in the Contact Center: Optimizing Agent Scheduling and Productivity to Improve Customer Experience Results* study shows that unpredictable customer traffic is the top challenge impacting how contact centers utilize their existing resources to address customer needs. Scalability helps companies address this challenge by providing adequate computing resources required to operate contact centers at different traffic volumes. As a result of this greater availability, contact centers can address a larger portion of customer contacts, which helps them reduce abandonment rates and ultimately drive down the cost of customer churn tied to unaddressed customer needs. Such **reduction in cost of customer churn is the "hidden ROI" associated with scalability benefits cloud-based contact centers provide to organizations**.

Despite the clear benefits of a cloud-based contact center, the results noted above are not solely accomplished by deploying a cloud-based infrastructure overnight. As noted above, cloud-based contact centers are more likely than their traditional internal contact center counterparts to deploy a series of business activities and technologies that help them accomplish the results illustrated in Table 2 below.

"Deploying a cloud-based contact center infrastructure helped our business improve agent staffing and productivity through better aligning customer needs with our contact center workforce management activities."

~ CEO of a U.S.-based Company with a Mid-size Contact Center

Definition: Scalability

Scaling allows allocating more servers and storage devices to support a hosted contact center during peak demand. As demand drops, these increased resources are removed and the contact center no longer has to pay for them — a key advantage of cloud-based

Table 2: Better Performing Contact Centers are more Likely to be Deployed on the Cloud

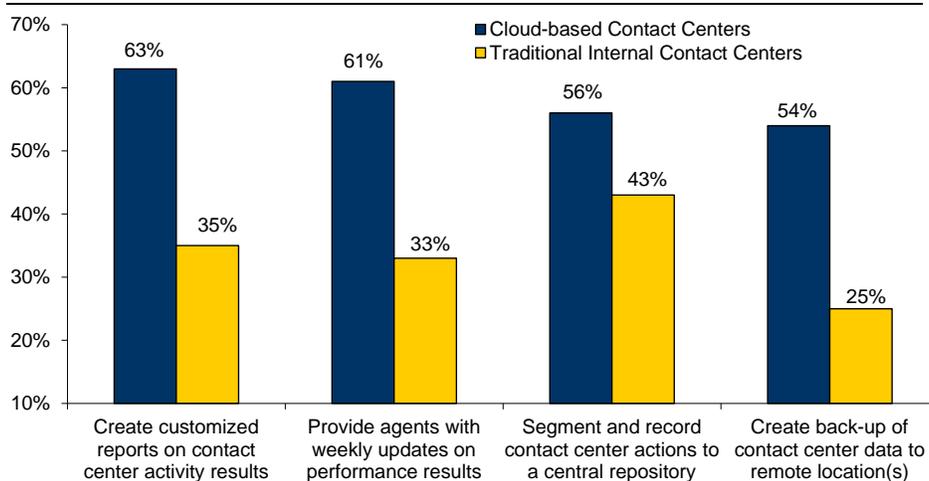|	Average Performance
Cloud-based Contact Center Users	▪ 51% first contact resolution rate ▪ 13.1% average year-over-year improvement in annual company revenue ▪ 3.2% average year-over-year improvement (decrease) in non-compliance frequency
Traditional Internal Contact Center	▪ 30% first contact resolution rate ▪ 4.0% average year-over-year improvement in annual company revenue ▪ 1.2% average year-over-year worsening (<u>increase</u>) in non-compliance frequency

Source: Aberdeen Group, December 2012

The next section highlights the key "steps to success" that are more widely adopted by cloud-based contact centers, compared to traditional internal contact centers.

Key Differentiators

Business Activities

Figure 2 below demonstrates the key business activities cloud-based contact centers deploy in order to differentiate from their peers.

Figure 2: Performance Measurement is Critical

Percent of respondents, n=101

Source: Aberdeen Group, December 2012

Aberdeen's July 2012 *Contact Center Analytics: How the Best-in-Class Reduce Operational Costs through Contact Center Data* study shows that Best-in-Class

"One of the key activities we use to support our [cloud-based] contact center activities is facilitating access to information. Agents and supervisors can access crucial information needed to perform their jobs better on a timely basis. This results in improved customer experience results and enhanced loyalty by our clients."

~ President of an International Education Company with a Mid-size Contact Center

contact centers are 92% more likely to have the ability to **generate customized reports** on their activity results, compared to Laggard businesses (see sidebar). The ability to generate tailored reports that provide granular insights on specific activity results helps companies determine the sources of inefficiencies as well as other general trends that impact their contact center activities. Cloud-based contact centers are 80% more likely (63% vs. 35%) than traditional internal contact centers to deploy this process. This activity helps them analyze historical and recent customer traffic information to determine patterns that influence customer traffic across numerous channels as well as predict future agent demand — a capability that's critical in helping companies scale up and down based on variable agent demand.

In addition to forecasting future agent demand, customized reports on activity results also help companies track and measure agent performance results. Organizations with this process can customize these reports by the specific measures (e.g. first contact resolution and average handle time) they use to **assess agent performance and provide agents with visibility into their performance for coaching and training purposes**. To this point, cloud-based contact centers are 30% more likely (56% vs. 43%) than their peers to **store activity information and analysis within a centralized repository**. This allows them the ability to plan their future activities (i.e. agent scheduling) by utilizing the wealth of information stored within this database. Business intelligence tools are a critical enabler helping companies effectively analyze this information.

As noted above, despite incurring greater IT staff costs, cloud-based contact centers enjoy 36% less downtime and as a result, greater customer responsiveness. The primary source of this advantage is their laser-focus on ensuring security and business continuity. Indeed, data indicates that cloud-based contact centers are far more likely (54% vs. 25%) to have a formal process to **regularly back-up contact center data to remote locations**, compared to other businesses (see sidebar). Research shows that 50% of cloud-based contact center users prefer a hybrid model where they integrate their internal customer databases with their cloud-based contact center infrastructure to back-up information within company systems. Considering the sensitivity of customer data security in industries such as financial services, insurance, and healthcare, this provides another alternative to these firms in managing their information security.

Technology Enablers

Figure 3 below illustrates the crucial technology tools that cloud-based contact centers are far more likely to utilize to outperform traditional internal contact centers in order to achieve the results noted thus far.

Maturity Class Definitions

The following Key Performance Indicators (KPIs) were used to determine the Best-in-Class for the *Contact Center Analytics: How the Best-in-Class Reduce Operational Costs through Contact Center Data* report:

√ First call resolution: Best-in-Class: 81% vs. Laggards: 31%

√ Year-over-year improvement in agent utilization rate: Best-in-Class: 18.4% vs. Laggards: 4.3%

√ Year-over-year improvement in cost per customer contact: Best-in-Class: 16.5% vs. Laggards: 1.6%

Fast Fact

Thirty-two percent (32%) of cloud-based contact centers back-up their data at least on an hourly basis, compared to 26% of traditional internal contact centers.

Figure 3: Technology Facilitates Better Customer Experience

Percent of respondents, n=101
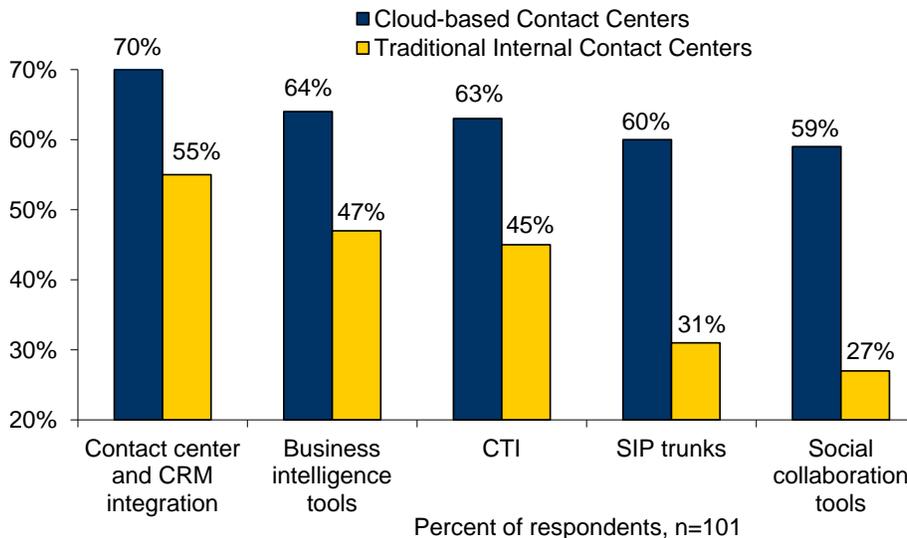
Source: Aberdeen Group, December 2012

As depicted above, contact centers that use a cloud-based infrastructure are 27% more likely (70% vs. 55%) than their peers to be integrated with the CRM system. Aberdeen's research into the 2013 Customer Care Executive's Agenda shows that only 25% of contact centers are currently satisfied with their ability to **integrate contact center with other enterprise applications (i.e. CRM)** for a unified view of customer data. This activity helps contact centers reduce this challenge and empower their agents with crucial information needed to serve customers in a timely and personalized manner.

Figure 2 highlighted that measurement is a key competency differentiating cloud-based contact centers from traditional internal contact centers. **Business intelligence tools** help companies analyze large amounts of information to determine insights such as factors that drive increase in agent demand or inefficient processes that result in increased customer care costs. When utilized in conjunction with **computer telephony integration (CTI),** enabling companies to incorporate their telephone and computer activities, business intelligence tools deliver enhanced reporting and personalization capabilities for contact centers.

Another technology tool that is far more widely (60% vs. 31%) adopted by cloud-based contact centers versus traditional internal contact centers is **Session Initiation Protocol (SIP) trunks**. This technology helps companies integrate multi-channel interactions (e.g. voice and video) taking place within the organization (i.e. agent-to-agent conversations) with interactions taking place with entities (i.e. customers) outside the business. One of the primary advantages of SIP trunks is added flexibility in helping contact centers address variable customer traffic through numerous channels. It also allows companies to re-route sessions (i.e. customer

interactions) through specific facilities (i.e. contact center sites) and / or equipment in issues of business continuity, enabling continuous service.

Key Takeaways

With six out of 10 contact centers projected to have a cloud-based contact center deployment by the end of 2013, it's critical for businesses to understand the real value of a cloud-based infrastructure and how to optimize their activities to achieve maximum results. Findings reveal that cloud-based contact centers indeed deliver quantifiable business results. However, companies need to adopt a broader perspective to understand its true benefits.

Cloud-based contact centers are laser-focused on implementing business processes and technologies that positively distinguish their performance compared to traditional internal contact centers. Furthermore, they successfully utilize the scalability benefits associated with a cloud-based infrastructure. Despite the challenges in predicting agent demand across numerous interaction channels, cloud-based contact centers have the ability to rapidly accommodate sudden changes in customer traffic by adding and subtracting computing resources on-demand. This flexible infrastructure helps them improve overall responsiveness to their customers' needs. Ultimately, it is this close relationship between customer responsiveness and reducing costs resulting from unaddressed client needs that is the source of hidden ROI for cloud-based contact center initiatives.

For more information on this or other research topics, please visit www.aberdeen.com.

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Related Research	
Multi-Channel Contact Center: Delight Customers where they Live; November 2012	*Contact Center Analytics: How the Best-in-Class Reduce Operational Costs through Contact Center Data*; July 2012
Agent Desktop Optimization: Agents can Finally Focus on the Customer; October 2012	*Workforce Management in the Contact Center: Optimizing Agent Scheduling and Productivity to Improve Customer Experience Results*; June 2012
Virtual Contact Center Agents: Break the Boundaries; September 2012	*Customer Experience Management: Using the Power of Analytics to Optimize Customer Delight*; January 2012
Speech Analytics: Listen to your Customers; September 2012	

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