# Mass Migration: What Factors are Finally Driving Contact Centers to the Cloud and How Can They Achieve the Expected R-O-I

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When you ask, 'what was the tipping point for companies to move contact centers to the cloud?' some industry experts will tell you that you are rehashing a long-settled issue, while others will acknowledge that only now is the migration truly reaching full velocity. The other ongoing question is what do those who are now moving to the cloud need to do to maximize their immediate and ongoing return on investment? CRMXchange spoke with five influential cloud contact center solution providers who shared their insights on the status of the evolving marketplace.



**Tim Richter, Director of Product Marketing, Contact Center, 8x8**

8x8 believes that the value proposition of a single vendor sold-and-supported solution is a significant factor that resonates with companies considering cloud contact center adaptation. "When you look at the landscape of contact center providers, many are made up of best-of-breed solutions," said Richter. "This often requires businesses to have multiple applications and multiple companies that they need to call in for support. This results in extended time to resolution for tickets and finger-pointing when things don't go as planned. It's more challenging to deal with multiple vendors than one. Having a single hand to shake makes things a lot easier. Issues are resolved more quickly and with less back and forth." However, he does acknowledge the reality that in any company, there are other solutions in place, such as CRM, which require open APIs to ensure successful integration.

Richter, a 15-year veteran in the contact center space who spent much of that time working for Avaya, sees the true tipping point as being the many organizations that have run on-premise systems facing an upgrade decision. "They can either take on huge CAPEX expenditures to refresh the hardware, while paying exorbitant software upgrade fees if applications they need aren't already part of their solution and incur major professional service fees to make these upgrades work; or they can move to a cloud-based platform which takes them to an OPEX model. Then of course they can take advantage of the unique capabilities that only cloud analytics can provide. Companies are seeing the light on which way to go and that's driving a lot of our business."

"The debate on whether to move to the cloud has evolved to when to move to the cloud." he said. "Issues such as voice quality, compliance security, and internal control have been resolved. In many cases administrative control is actually better in cloud-based solutions." The company's network of data centers and proprietary technology enables their global customers to automatically geo-route calls, which helps preserve voice quality and maintain security.

"Cloud-based solutions make more advanced technology more accessible," said Richter. "For example, in a premise-based environment implementing and fine-tuning speech analytics is a 6-figure CAPEX proposition, whereas with a cloud solution, it is as simple as configuring it and flipping a switch. In many cases, it's bundled in with additions or available for a reasonable monthly fee per seat. Having such manageable options at hand makes it easier to optimize the efficiency of the contact center and realize return on investment."



Jacki Tessmer, VP of Cloud Strategy, Enghouse Interactive
Enghouse operates on the principle that one product does not fit all, and has on-premise, managed cloud and pure cloud solutions, which is her area of expertise.

Tessmer, who has been selling cloud contact center solutions since 2006, still sees the transition from the CAPEX to OPEX model and the need to relieve the burdens on IT as drivers, but not the primary forces in migration. "In almost every deal we discuss, businesses are considering cloud as an option," she said. "Whether it's a technology refresh or a need to add more functionalities, many companies are now deploying cloud solutions. There were a lot of companies to who held on to their legacy on premise contact center mode because they were waiting to see what happened with their vendors. Now, they're suddenly discovering that these systems are not moving the customer experience plan forward. The true tipping point is the need to be agile." Tessmer believes that companies committed to the perpetual license model of an on-premise system were compromised in their ability to add functionalities such as webchat of social media service without incurring substantial costs.

"Companies that wanted to make improvements had to undertake software and hardware purchases, implement projects that took a long time and even if they weren't happy with the results, they were stuck. But with the cloud model, if you have a customer experience plan to add new communication channels or redesign business processes, you can engage with a partner who can tell you what functionalities are available and how best to deploy them," she said. "More companies  are recognizing that customer expectations are now higher and the need to communicate with customers on mobile channels is critical. They realize that their current systems can't do this and that the cloud model allows them the flexibility they need. Cloud partners are better suited to deliver greater security, redundancy and business continuity that most medium sized enterprises can't do on their own. For companies of all sizes and all levels of complexity, the cloud levels the playing field."

Tessmer believes that intangibles need to be considered in determining what it takes to achieve ROI. "It's more than just the cost savings on subscription licenses," she said. "Before making the decision, they need to factor in what we tell our prospects are 'lost opportunity costs.' For example, without the need to manage, maintain, administer, and upgrade contact centers, an IT group can take on more high-value projects that go to the core of a business."

To her, the key factor to success is develop an overarching customer experience plan that defines goals: this includes setting measurable objectives that can be used as guideposts in the process, from simple objectives like adding data-driven routing, screen pops, or minimizing transfers to successfully integrating new communication channels. Questions that should be asked in advance are whether appropriate SLAs and security compliance requirements can be met. "For enterprises, it needs to be more than just a "lift and shift" technology exchange with a different deployment model," she said. "When the right plan is in place and everyone is on the same page about expectations, businesses can more precisely determine if they are getting the value they are seeking."



Barry Zwarenstein, Interim CEO/CFO, Five9

Five9 believes that the tipping point for the move to the cloud for contact centers has been relatively recent. "Voice is difficult, voice in the cloud is even more difficult, and voice in the cloud globally even more difficult," noted Zwarenstein. In his view, the cloud's proven reliability, security, scalability, increased flexibility, and the ability to moveto an OPEX model are all "givens" that have contributed to the groundswell. "If you were to rewind the movie to three or four years ago, according to industry analysts, no more than 30% of RFPs had cloud as an option," said Zwarenstein. "Now that the evangelical phase is over and cloud is the default option, vendors not only have absolute feature parity with on premise suppliers, but are also ahead in other ways; such as in the important arena of omnichannel communications."

A great deal of Five9's growth is derived from businesses migrating from premise-based systems. "Seventy-three percent of our revenue comes from our enterprise business and almost all of those are "brownfield' …not new installations. The gift that keeps on giving is the continual flow of rip and replace projects from premise-based systems." Zwarenstein also considers the success of cloud-based CRM to be a factor.

Five9 brings in new customers who have older cloud-based systems as well. "The economics of a hosted environment are very difficult, but far more compelling for a proper multi-tenant cloud solution that has been designed as such." In a market that is growing at a percentage rate in the high teens or low 20s, Five9 reported a growth rate of 36% over the past twelve months.

He asserted that the research originally done by Gartner that estimated that cloud contact center penetration at 10%-15% included both hosted and pure cloud solutions. "Of the approximately 6.4 million agents in North America, Gartner examined three segments at the time; operations with below 50 seats (25%) cloud solutions, 50-500 seats (50%), and above 500 seats (25%). The cloud contact center penetration rate in the smaller group is in the teens to 20% range, and in the two larger segments in the low double digits at best for both hosted and cloud," he said. "If on-premise solutions such as Avaya have a 25% share of the market, that accounts for some 1.6 million seats. We consider ourselves one of the larger cloud players and right now we have about 100,000 seats. While not all of the 1.6 million seats are available to us –some businesses will never switch—there's obviously quite a lot of room for growth."

Five9 has a playbook for helping companies achieve ROI. It starts with prioritizing and documenting the reasons to move to the cloud. This starts with such motivations as reducing capital and operating spending and increasing both agent and customer satisfaction. "Does the business want to support remote work-from-home agents? With the cloud, do you only need a laptop and an internet connection? Is business agility important to you? More uptime?" said Zwarenstein. "If you don't know where you're going, it makes it more difficult to get there."

Companies need to compare the before and after, examining current performance metrics such as number of calls answered, handle time, order rate, and customer satisfaction. They can then set realistic future performance standards so they know what they're striving to accomplish. Zwarenstein also stresses the importance of appointing an internal champion to compile and measure the performance metrics. "Many times, we've come into a company ready to go, but without a dedicated, focused person and support for that person, it's harder to develop a realistic deployment schedule."

He maintains that Five9 has perhaps the best implementation assistance program of any solution provider in the space. "Even though what we do is in the cloud, we always go on premise," he said. "We have a strong and continuously growing team in place to assist in implementation, optimization, and training. This is mission-critical to our customers; we're there to help them fix their process."



### Chris Bauserman, SaaS Marketing and Product Leader, NICE inContact

The integration of two industry leaders has been moving along smoothly since NICE acquired inContact in 2016. inContact has built on its status as a true SaaS cloud company and teamed on the engineering side to incorporate NICE's technological expertise in analytics and workforce optimization. The impetus was to craft a unified cloud platform with expanded breadth and depth. "One byproduct of this collaboration has been to get enterprises not only more excited about moving contact centers to the cloud, but excited about moving them more swiftly," said Bauserman. Where NICE has a presence, enterprise businesses are now sending out a single sales team for their CXone platform.

He sees three key elements contributing to the burgeoning migration. "First, we're in an experience economy where businesses have to compete and win on customer experience. Only cloud solutions give them the speed and intelligence to hit the moving target of improved CX. Second, from the IT side, digital transformation is putting on the pressure on companies to move on from obsolete technology. Most companies have modernized CRM and ecommerce solutions. Customer service and contact centers have been slower. Third, now that enterprises are finally ready for the cloud, the cloud is ready for them as well. We now offer a unified platform that provides one experience for agents, admins, managers, and customers across the whole spectrum of customer experience. Businesses need a cloud solution that grows with them from a functionality and capacity perspective and gives them a path to get from where they are to where they want to be. This eliminates the need for a major rip and replace, big lift transition that few companies can do overnight."

Bauserman believes that gaining ROI is more than shifting IT costs from a CAPEX to an OPEX model. "To achieve a true payoff, organizations need to define in advance what business outcomes are most important to them. This will help guide the investment and target the right steps for the project plan." NICE inContact has teamed with Forrester Research to develop a total economic impact model that incorporates the experiences of other companies who have successfully deployed the company's cloud solution. "By using this model, companies can determine an incremental path starting in the contact center, another business unit, or by moving applications such as routing or analytics to the cloud," he said. "This helps them plot a course that can increase profitability while minimizing risk."

### Max Ball, Director of Product Marketing, Ring Central

In discussing his company's experience, Ball sees moving to the cloud as a "no-brainer for anybody with a distributed organization." As examples, he cited banks with multiple branches, restaurant chains, and healthcare organizations with multiple offices who can have all their employees in HIPAA compliance on the same system. This enables businesses to reduce the number of vendors. "The average contact center deals with 18 suppliers; when you cut down on that, it really simplifies things." While Ball considers taking the economic model from CAPEX to OPEX as the most obvious reason to migrate, he also sees the change in the guard in many organizations as having an impact, particularly in the tech sector. "This type of company is bringing in CTO's who not only get the cloud, but want it in all phases of how they run the business."

Ball believes the actual tipping point for the cloud in business took place five years ago, noting that very few companies have their databases on premise anymore and that most CRMs are already in the cloud. "The move to telephony has taken longer because of the technical challenges of moving voice into the cloud, but now those challenges have been solved. Many companies saw bringing contact centers to the cloud as the single scariest thing to do but now they already have their ticketing systems and databases in the cloud and are looking at the advantages of bringing WFO there too. Even contact center managers who tend to be very conservative are now saying 'Ok, this is working everywhere else, so it's time to try it.'"

To attain ROI, Ball believes there needs to be a genuine partnership with the solution provider; one where there is an understanding of how business works and how the technology can best fit

to meet the customer's needs. "Even when adapted at a small scale under a tight budget, a cloud contact center solution allows businesses to cost-effectively take on additional capabilities that they couldn't even think of with an on-premise system. Whereas it might take $100,000 to do a simple on-premise deployment, they can get up and running in the cloud for less than $5,000. This allows companies a better toolset that before couldn't even think of adding sophisticated contact center functionalities onboard." While businesses with economic constraints won't be able to do everything they want, they should still get the tools in place and bring in someone who is technically savvy and understands databases to make the technology do what they need it to do." He suggests larger companies find a partner who can help improve customer engagement beyond the contact center and provide the type of omnichannel support needed to create seamless customer experiences.