The Rising Cost of Customer Service:
Cloud Strategies for Lower TCO, Higher Reliability, and a Competitive Edge

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EXECUTIVE SUMMARY

Cloud Strategies for Lower TCO, Higher Reliability and a Competitive Edge

More enterprises are turning to cloud hosting to ease the strain on IT resources and budgets. This is increasingly true when it comes to customer service technologies where reliability, security, and the ability to maintain a competitive edge can be costly. With customer experience more important than ever, leading companies are strategically using cloud hosting to enhance service and optimize operations without eroding profits.

During this eBroadcast, Frost & Sullivan’s Principal Analyst, Nancy Jamison, and Voxeo’s Senior Program Director and Product Manager for Voxeo Hosting, Gordon Cloke, provided insights on the drivers behind moving to the cloud, practical guidelines and use cases. Finally, Matt Lucas, a Telecom Engineer from CSC, gave his insights on his own cloud deployment, including a checklist of important considerations to look for when choosing a cloud hosting provider.

MARKET OVERVIEW

Cloud Hosting: A Safe Choice With Proven Deployments

Frost & Sullivan forecasts that the market for hosted systems and applications will overtake premise-based ones by 2014. The cloud provides reduced cost, rapid time to deployment and flexible scalability.

Despite this, not all enterprises are clamoring for the cloud. Many companies are trying to get that “last mile” out of their systems and do not want to abandon existing investments in lieu of a fully hosted option. Vendors are responding to this need by providing hybrid alternatives that enable their customers to realize the best of both deployment worlds. “This is one of the early draws for hosted solutions because a hybrid approach allows a company to try out the cloud and then to migrate where it makes sense,” said Nancy Jamison, Principal Analyst, Customer Contact, Frost & Sullivan.

The Rising Cost of Customer Service

The economy is one of the key drivers in the contact center market. “Though we’ve seen recovery in some markets, the economy isn’t recovering as fast as we thought. In fact, income and spending still remain depressed compared to pre-2008 levels. Even in a thriving economy the cost of customer acquisition and retention is high, but in a down economy the pain of this is felt much more acutely,” said Jamison.

At the same time, there is a rise in the number of customer service channels, which is driven in part by new technological capabilities as well as the customer preferences of a younger generation that is used to living on mobile devices. Older TDM-based networks or legacy-
premise systems often times aren’t capable of supporting these new channels — for some companies this is the tipping point in replacing their older systems.

The cloud can make upgrading or adopting additional engagement channels more feasible. In a tight economy with pressure to provide better customer service, the cloud allows companies to add on new capabilities without big capital equipment expenditures.

**Mobile Customer Care**

Frost & Sullivan sees the rise of mobile as astronomical. Advanced multi-channel web-enabled smartphones are fast becoming the dominant consumer wireless device type. “We estimate that these smartphones will surpass feature phones in 2013 on major carrier and Tier 1 wireless networks,” said Jamison.

Customer contact vendors have responded to this movement by introducing mobile customer care applications to enhance self-service or live-agent customer service.

These solutions address voice and text through web and mobile apps across multiple platforms while also integrating with social networks. “Customers have become more sophisticated and demanding. They have high expectations for a seamless multi-channel experience,” said Jamison. “No matter where in that journey the customer starts, if they switch channels — contacts, history, and customer data should flow with them.”

To that end, mobile customer care should:

- Deliver relevant and personalized account information on the consumer’s device or tablet display.
- Provide app navigation via speech, touch, or typing.
- Bridge the gap between self-service and agents with context-aware, intelligent transfers.
- Display expected wait times for an agent.
- Offer the option for immediate or scheduled agent call back.
- Allow for the use of unique device attributes: geolocation, video, speech recognition.

**The Globalization of Data**

Globalization, or the “flattening of the world,” has changed the landscape for customer care through the gradual leveling of geographic limitations and the playing field.

Increasingly, globalization requires solutions that must be rapidly or simultaneously rolled out in multiple languages and geographies with a global infrastructure reach encompassing data centers, servers, and carrier providers. Few companies have the expertise or the resources in-house to manage this complexity.
**THE PROMISE OF THE CLOUD**

**Managing Complexity**

In a cloud environment, complexity is shifted to the cloud where vendors specialize in addressing these factors globally and at scale. In this model:

- Costs may be managed more flexibly over time (with less up-front capital expenditure).
- Cloud environments guarantee up-to-date technology, features, and functionality.
- Solutions may be rapidly brought to market by leveraging an existing cloud infrastructure with agile deployment processes.
- Compliant or certified cloud platforms may reduce the cost of addressing data security and privacy requirements.
- Companies are better able to focus on their core business or products, without neglecting the customer service experience.

“The cloud has great promise in all these ways, and this explains the attention and hype surrounding cloud technologies,” said Gordon Cloke, Senior Program Director, Product Manager, Voxeo Hosting. “However, the Cloud is not a silver bullet or panacea, and companies must carefully assess their strategy.”

**Checklist: Is the Cloud Right for Me?**

To assess whether the cloud is a strategic fit in its unique business context, your organization can begin with the following diagnostic checklist:

1. Are voice or customer service solutions part of my core business?
2. What data must be managed on my own premises for legal or regulatory reasons?
3. Can a cloud provider guarantee compliance with standards relevant in my industry?
4. What are my time-to-market requirements?
5. How will my solution scale over time in terms of capacity or global reach?
6. What is my anticipated three to five-year solution total cost of ownership (TCO)?

In many cases, this assessment will involve understanding the most effective options for addressing regulatory or compliance requirements. For example: in some regions there are laws and standards that require businesses to keep data within a particular geography.
Common compliance frameworks include the Payment Card Industry Data Security Standard (PCI DSS or commonly shortened to just PCI), the Health Insurance Portability and Accountability Act (HIPAA), and the International Organization for Standardization (ISO).

Combining Cloud and Premise

“There is no single right answer for every customer or situation,” said Cloke. “In fact the lines between cloud, premise, and hybrid offerings are increasingly blurry. A more granular assessment is required to assess overall TCO for a given product or service.”

A hybrid combination of cloud and premise can offer companies the ability to benefit from the advantages of both deployment options. For example, a business can implement a core premise solution, but manage business continuity and disaster recovery in the cloud — avoiding expensive failover capacity. Many businesses have uneven traffic patterns. Instead of provisioning the number of ports to accommodate maximum capacity, the cloud can provide a cost-effective way of handling capacity management and bursting.

Additionally, a hybrid model enables the cloud to be leveraged for selected system components or applications.

For example:

- Speech
- Payment Processing
- Voice Biometrics
- SMS Messaging
- Location-Based Services
- Fraud Detection

A hybrid approach may also allow components of your solution to be ramped up quickly in the cloud, while premise systems are under construction. As the solution scales, the cloud remains a compelling option for managing capacity. In this sense, the cloud becomes a tool for managing risk (and cost) during the full product lifecycle.
Recommendations for Moving to the Cloud

Voxeo offers these three summary recommendations for companies preparing to move toward the cloud:

1. Evaluate TCO on a three to five year timeline taking into account soft costs, scalability, and reliability.
2. Adopt a granular planning approach that allows your company to reap the benefits of cloud and premise at the component level over the full lifecycle of the product, while managing and distributing overall risk.
3. Work collaboratively with vendors who offer flexibility in providing premise, cloud, and hybrid deployment models.

“Our experience has been that most companies radically underestimate the cost of managing the complexity of global deployment at scale. So the take-away is this: Cloud providers with an established global presence may dramatically improve time to market and reduce up-front costs,” said Cloke.

CASE STUDY: CSC

Many hybrid cloud solutions are successfully operating in the field. One such solution from Voxeo is being used by CSC, a Virginia–based developer of business technology solutions with 93,000 professionals serving clients in more than 70 countries.

At the onset of CSC's cloud journey, the company needed to upgrade or replace its aging voice technology in support of a solution that provides telephony services to Visa/Passport applicants from various countries. These services are accessed through multiple complex channels with CSC routing calls to call centers nationally and internationally, recording and keeping all calls for one year.

CSC requirements included the ability to securely accept credit cards in its IVR and interact with multiple banking gateways. CSC was also required by the Department of State to keep a Service Level Agreement (SLA).

Ultimately, CSC replaced its existing solution with Voxeo’s cost-effective hybrid solution for access to more features, quick deployment, and the ability to expand at a moment’s notice.

“We looked into building our own cloud, but the time and costs were too steep to be ready for production. Then, staffing costs were another factor. Hardware upgrades, software licenses, everything required to manage one location would be doubled,” said Matt Lucas, Telecom Engineer, CSC.
Security: A Major Requirement

CSC required a cloud solution that could be monitored with ease and integrate seamlessly with their premise deployment, which is what led CSC to Voxeo. Chief among CSC’s concerns was security. With data moving outside the company’s walls for the first time, Lucas needed to be certain the solution was secure. Voxeo provided a Level 1 PCI Compliant hosting environment to further protect customer data.

“More companies are expanding into the cloud for solutions that were initially thought to be deployed only in premise environments,” said Lucas. “After we saw a lot of our competitors in the same or similar fields moving to the cloud, we realized that the risk is not what it used to be and that the cloud is as secure — if not more secure — than our premise environment, and that solution became more and more appealing.”

The Cloud Solution

For a company like CSC, which needs to invest in its staffing as well as its infrastructure, being able to offset the workload to a third party has resulted in lower staffing and a less stressful environment. In short, it has placed the risk on the third party.

Being able to scale quickly is important to any company, but especially one moving to the cloud. With the hybrid approach, a burst of traffic on a premise solution could fail over to Voxeo’s cloud without the user even being aware of the transition. During a natural disaster, failover to the cloud could be quick and seamless.

Voxeo’s cloud also provides a globally redundant solution without having to open facilities in new locations, thus saving money.

“Customer support is key to any of these solutions,” said Lucas. “The support we received from Voxeo not only helped us migrate to the cloud, but it made us feel very secure in doing so. After running Voxeo’s solution for a while, we found that it was absolutely the best decision we could have made.”
FINAL THOUGHT

The cloud is becoming an attractive option for expanding or replacing legacy systems and applications in the contact center. In this eBroadcast we heard from an analyst who views the vendor landscape for premise and hosted deployments, a solutions provider who delivers both, and a customer who has experienced both. As Frost & Sullivan’s Nancy Jamison pointed out in her presentation, “The movement to the cloud is hard to ignore.” Our other presenters agree.

Cloud deployments allow companies to rapidly scale up and down without capital equipment outlay. The cloud enables companies to add on applications without building out the expertise to create or support them. Finally, today’s solution providers are increasingly making cloud deployments more easily consumable for all enterprise types and sizes.

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— Matt Lucas
Telecom Engineer
CSC
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