

# Cloud-based Contact Center: Does it Make Sense for Your Business?

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## Q: As companies consider moving business communications to the cloud, what are the primary benefits they can expect?

**Staples/Interactive Intelligence:** Based on what we've seen from our customers, the benefits have really been focused in four areas. The first, and the one that seems to be most prevalent, is the increased flexibility it provides. This includes things like adding and contracting user counts based on usage, easier access to new functionality, the ability to trial new applications, and the ease of adding users in new locations.

We also hear a lot about the benefit of how the cloud can allow for faster deployment times. Since the entire back-end infrastructure at the data center is already in place, the planning phase is dramatically reduced and customers can be up and running in a much shorter amount of time — often in a matter of a few weeks.

A third benefit, and the one that deserves a lot of the credit for really fueling the growth in the cloud-based contact center space a few years ago, is the ability to deploy the most up to date technology with minimal upfront capital expense.

And finally, is the benefit of reduced IT requirements. This doesn't mean the in-house staff is necessarily abdicating responsibility for the contact center, but they are able to delegate much of the day-to-day management and administration to the service provider.

## Q: Are cloud-based contact center infrastructure solutions still intended primarily for small contact centers?

**Fluss/DMG Consulting:** In 2003, when hosted/cloud-based contact center infrastructure solutions were first conceived and introduced to the market, they were intended to be used in small and possibly mid-sized contact center environments that could not afford (or did not see the value in making) a large capital investment in this technology. The vendors who introduced these early solutions delivered them with the intent of “democratizing the world of contact center.” This meant that small and mid-sized organizations with smaller staffs and limited budgets could now realize the same benefits as companies that had the financial and IT resources to acquire and support these solutions on an ongoing basis.

Cloud-based/hosted contact center infrastructure vendors have given small and mid-sized environments servicing capabilities that do not require any compromise on functionality, and without a major capital outlay. DMG research shows that the typical buyers of cloud-based contact centers are mid-sized customers in the 100- to 250-seat range; a majority of purchases are to replace an existing premise-based contact center solution that no longer meets the organization's needs.

**Staples/Interactive Intelligence:** I would add that we are seeing some very large organizations deploying, or considering moving their contact centers to the cloud. Technically, there aren't any reasons why these larger organizations with thousands of agents can't make the move. And the benefits to them are just as strong as they are with small or mid-size contact centers.

## **Q: Are cloud-based contact center infrastructure solutions functionally weak?**

**Fluss/DMG Consulting:** There are more than 20 cloud-based contact center infrastructure solutions available, and new competitors are entering the market at a rapid rate. Many of these solutions feature unique design, architecture and functionality. (This is often the case even when a vendor OEM's its hosted contact center infrastructure platform from a third-party, because most companies enhance their acquired solution in order to differentiate it.) Just as no two premise-based solutions are alike, neither are the hosted contact center solutions.

Although the market is still evolving, leading providers are moving toward a common set of capabilities that includes call routing and queuing, interactive voice response, computer telephony integration (CTI) and recording. Basic outbound dialing capabilities (preview and, possibly, progressive) are relatively standard features, but predictive dialing is optional (and available from only a few vendors), as is true blended inbound/outbound functionality. A growing number of vendors are taking an "all-in-one" approach and are also offering common management applications such as workforce management, quality assurance, surveying, performance management, coaching and basic customer relationship management (CRM)/servicing. (They are doing this because their customers and prospects have made it clear that they want to acquire these capabilities from their contact center infrastructure vendor, instead of having to do the integrations themselves.)

In fact, a number of the hosted/cloud-based contact center infrastructure providers offer some of the most competitive and functionally rich solutions in the contact center market. They typically build out their core contact center offerings with third-party solutions that are seamlessly integrated into their cloud-based platform. Due to the level of integration required to make this happen, the cloud-based contact center vendors also assume responsibility for supporting these third-party applications, thereby simplifying the operating environment. As a result, end users are realizing the benefits of leading functionality and reduced complexity. This continues to be one of the most exciting aspects of this sector; the range of choices available to users has never been greater.

## Q: Is it more difficult to integrate a cloud-based contact center infrastructure solution than a premise-based one?

**Fluss/DMG Consulting:** Few integrations are easy, whether the solutions are premise-based or in the cloud. The issue is not where the solution is located, but rather it's about the integration framework and capabilities. When applications are built using standards-based and open technology, such as Web Services, it is easier to integrate them with other third-party or home-grown applications that use the same approach.

Many of the premise-based contact center solutions have been retrofitted to include a Web Services integration layer, while a growing number of the newer cloud-based solutions are built using a services oriented architecture (SOA). Solutions that use SOA have been built from the ground up to facilitate integration. While resources are required for any integration, when they are standards-based, the learning curve and cost are typically lower.

Hosted/cloud-based solution vendors are highly motivated to get their offerings up and running as quickly as possible, because they do not earn revenue until the system is in production. Additionally, end users have made it clear that a primary reason for selecting a cloud-based offering is that they do not have the money to pay for an expensive and lengthy implementation. While it took cloud-based contact center infrastructure vendors too long to appreciate the importance of integrating with their customers' existing home-grown and third-party solutions — and it's still not their preferred approach — most have hired experienced integration and implementation resources and are doing a very good job of keeping these costs down. Many cloud-based vendors offer fixed implementation and integration fees that compare favorably with the cost of similar premise-based efforts; they appreciate that their revenue comes from monthly reoccurring fees, not start-up charges.

## Q: What risks are there with cloud-based contact centers?

**Staples/Interactive Intelligence:** The one that comes to mind the quickest for potential customers is the risk of security. To some extent, this risk might be more perceived than it is real. That said, there are ways to mitigate any potential security risks. It is important to thoroughly look at the certifications associated with the data center. SAS70 and SSAE-16 are the most robust. Most CIOs would find that the security at the cloud provider's data center will be more robust than what they would find at most any enterprise server rooms. Additionally, cloud-based vendors adopt security best practices from many companies — so they often employ the best of the best.

Companies should also look at the movement and location of their media traffic and data. It should be a given that media traffic is encrypted and that recordings are stored in an encrypted format. For architectures that allow the media and data to remain inside the customer's network and firewall, there are additional security benefits. Isolation of customers on their own virtual servers in the data center can also reduce risk.

Depending on the nature of the contact center transactions, PCI-DSS (payment card security — data security standard) is another security consideration that the purchaser should review prior to selecting a cloud-based contact center provider. PCI-DSS provides an actionable framework for developing a robust payment card data security process — including prevention, detection and appropriate reaction to security incidents. Credible cloud-providers will be able to provide information about their PCI-compliant practices — and prospective customers should ask for this documentation. However, it is important to remember that the cloud provider is only part of the equation. The processes in the contact center, performed by the agents, come into play as well in evaluating overall PCI compliance.

Other risks that some customers may be concerned about include: the reduced amount of control an organization has after outsourcing to a cloud provider, a potential loss of functionality with a move to the cloud, and the challenge to move back to a premise solution in the event that their business needs change. Our opinion is that each of these risks can be minimized, or eliminated, with the proper vendor selection.

### **Q: When does it make sense to consider a cloud-based contact center, and when is it better to acquire a premise-based solution?**

**Fluss/DMG Consulting:** The answer is that it depends on the specifics of each situation. Prospects should perform both total cost of ownership (TCO) and return on investment (ROI) analyses to assess their unique needs, but there are also some generally applicable guidelines to follow.

It is likely to be more beneficial to purchase a premise-based solution if your organization:

- Plans to keep the contact center solution for more than three years
- Does not plan to upgrade it
- Has relatively inexperienced resources to staff and support it
- Does not need to scale up and down
- Has the money to make a large up-front capital investment

It is likely to be more beneficial to use a cloud-based contact center infrastructure solution if your organization:

- Is capital-constrained
- Plans to take advantage of new functionality in order to gain a competitive advantage
- Needs many people to maintain a premise-based solution
- Needs to scale up and down throughout the year
- Uses multiple sites, which may include at-home agents

Many chief financial officers prefer to invest in cloud-based solutions rather than purchasing licenses for systems and applications, because it gives them more flexibility.

Cloud-based solutions require no capital investment, little to no implementation and integration fees, payments that scale in line with business activity, no support costs, limited risk and obligations, and ongoing investment protection (no need to pay for upgrades).

**Staples/Interactive Intelligence:** We recommend to all customers that they consider both premise and cloud options. They may quickly gravitate to one of the two choices, but in the evaluation and planning phase, we feel customers are best served by considering both options.

### **Q: Are there various deployment models to consider when moving to the cloud?**

**Staples/Interactive Intelligence:** Broadly speaking, there are private cloud, public cloud, and hybrid. A private cloud, built using the customer's procured resources in the customer's data center, provides added control, but also means the company continues to shoulder the system management burden. The public cloud means the company relies on a cloud-based provider to deliver all contact center services. This relieves the company of the management burden, but does mean they relinquish some level of control. The hybrid approach for cloud-based contact center services is a popular model, as it relies on the cloud provider to provide the core services and data center infrastructure, but places some hardware and software, such as gateways or media servers, at the customer's site — relieving the management burden, but increasing remote survivability and control.

In our case we also offer some added deployment model options. Customers can choose VoIP or TDM, can decide if they want telco/SIP trunks terminated at their site or at our data center, and they can decide where they want their media and data to reside, again at their site or at our data center. Situations vary and we think providing options is in the best interest of the customer.

### **Q: Do cloud-based contact centers solutions have a higher or lower TCO than premise-based solutions?**

**Fluss/DMG Consulting:** Total cost of ownership looks at the cost of an asset or investment over its lifetime. It takes into account the purchase price, cost of internal and external resources to support the solution, hardware costs, maintenance, and upgrade fees. While the numbers vary for every acquisition, in general, DMG Consulting has found that if an enterprise were to conduct a three-year host vs. buy analysis for a contact center solution, assuming no functional (hardware or software) upgrades, the maintenance fee would not increase; where minimal IT and business resources are required to manage the solution, purchasing looks to be less expensive than hosting. However, if the calculation includes the cost of upgrades and a significant amount of internal resources to support a premise-based solution, the hosted alternative will often have a lower TCO.

## The Authors



**Donna Fluss**, founder and president of DMG Consulting LLC, is highly regarded by industry, enterprise, contact center and financial leaders as one of the foremost experts on contact center, analytics and the back office. With 28 years of experience helping organizations build world-class contact centers, and assisting vendors to develop and deliver competitive solutions, Fluss created DMG Consulting to deliver unparalleled and unbiased research, analysis and consulting services. She is a renowned speaker, author and expert source for numerous industry and business publications.



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