Preparing for the Upturn

Research on Current Contact Center Operational and Investment Practices

A White Paper from NICE

October, 2009

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Introduction

Recession or recovery? When it comes to the current state of the economy, that is the question. Whether the downturn that's gripped the world for the last year or so is over or not, pragmatic businesses realize they always need to be ready to move quickly, no matter what the market brings. Among the first areas to prepare for change is the contact center, where critical customer interactions—and the data gleaned from them—can greatly impact companies' longer-term ability to execute successfully. Are there signs, then, that they are preparing for a return to prosperity?

This white paper presents the results of a survey commissioned by NICE Systems and conducted by Ventana Research, an independent third-party firm, during the first half of 2009, examining the state of operations and investments in contact centers around the world. It focuses on:

- Budget and growth expectations
- Technology investment priorities
- Operational tactics and strategies
- Market trends and initiatives

With "green shoots" of economic recovery emerging, investment in corporate contact centers is picking up, especially as it relates to technologies that help reduce costs, improve customer satisfaction and gain a competitive edge. Read on to learn how, as prosperity returns, contact centers are paving the way with smarter, more insightful customer interactions.

Answers Amid the Chaos

The economic downturn of 2009 has presented an unprecedented challenge to business leaders, as many have never experienced economic turbulence as troubling. Due to a lack of timely, relevant primary research on how businesses are coping with and managing their contact center operations during the crisis, NICE Systems commissioned a quantitative research survey by independent researchers at Ventana Research. The goal of the study was to find out how the economic downturn has affected contact centers and understand the strategies their leaders are considering as the decline slows.

A total of 370 individuals responded to the survey. They represent a varied sampling of contact center sizes and industries, with 87% having job functions at the management level within their organizations. Respondents represented a wide range of industries including Service Providers, Financial Services, Manufacturing, Telecommunications and Government. The majority of those surveyed were from North America (74%) with Europe, the Middle East and Africa, Asia and the Pacific Rim, and South America also represented. (The geographical differences did not prove statistically significant, verifying the fact that the downturn was felt universally.)

In addition to the quantitative survey described above, in-depth qualitative interviews were conducted with senior-level business and IT personnel from another 40 contact center organizations, each with more than 200 agents. These interviews helped to expose some underlying drivers behind key survey findings.

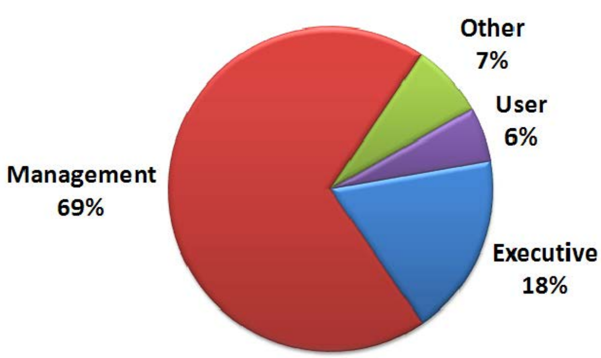

Figure 1: Job Function

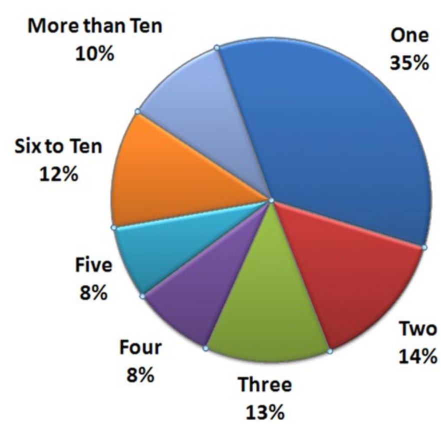

Figure 2: Number of Sites

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Preparing for the Upturn

A common theme emerged among respondents: the need to cope with economic uncertainty while ensuring their businesses are well-positioned to take advantage of recovery. This paper tracks their attitudes and investments from a current and short-term perspective, characterized as "weathering the storm," to a forward, two- to three-year view as they look ahead to recovery.

Weathering the Storm

Contact centers have had their fair share of budget tightening during the downturn. However, a high majority of respondents (81%) indicated that they expect no significant changes in contact center staffing levels or number of sites this year. Respondents reported they have been busy ensuring that their companies could survive the downturn, and to that end, closely managing costs.

Technologies that reduce operating costs, such as a voice over Internet Protocol (VoIP) communications, were respondents' top investment priorities. In fact, 70% of respondents indicated they plan to have more than half of their infrastructure VoIP-based by 2010. Agent workforce optimization and performance management systems also ranked high, outpacing CRM. Interestingly, however, the top operational priority was improving customer satisfaction (54%), followed by controlling and reducing costs (18%). (For financial service organizations, regulatory compliance was cited as second priority.) Their inclinations indicate that, although keeping costs down is important, retaining current customers is a necessity, especially in a down economy.

Investing in the Future

Investments have come under intense scrutiny in these lean times. Executive interviews showed that in most cases capital expenditure requests must be backed by a detailed, comprehensive business case analysis with returns expected within six to twelve months.

Looking ahead, 44% of respondents expect increases in the volume of customer interactions. Initially driven by consumer concerns regarding the economy, investment performance and mortgage refinancing for example, the availability and maturation of alternate communication channels, such as instant and text messaging and Web self-service, are seen as long-term drivers of this growth. This expected increase in interaction volumes places additional importance on increasing operational efficiency without sacrificing customer service.

Realizing a need to improve management of customer interactions across these multiple contact channels, cross-channel management technologies were cited as a high priority over the next two to three year period. Overwhelmingly favored among strategic investments, however, was speech analytics, with expected growth in the number of deployments as high as 182% by 2011 compared to first half 2009. This appears to be driven by the potential of this emerging technology to deliver benefit across multiple areas viewed as operational and strategic priorities.

Short-Term Economic Impact on Budgets and Operations

Survey respondents were asked specific questions related to their expectations on technology, operational and investment strategies for the next 12 months. From this data, a picture emerged of how contact centers are coping with the impact the down economy has had while striving to maintain a focus on customer service.

Discretionary Spending

Qualitative interviews provided insight on plans for discretionary spending in contact centers. Many respondents indicated they anticipate some degree of economic recovery towards the end of 2009 and into 2010, accompanied by an increase in discretionary spending. They also registered a belief that, by ramping up investments, they will be better positioned to realize market gains more quickly than competitors that are still cutting costs.

Although customer satisfaction was cited in the survey as a higher priority than cost control, together, these initiatives account for a high majority of discretionary spending plans on technology. Interviewees noted that new technology often delivers significant reductions in operating costs, along with, opportunities for customer service improvements. This double payoff is especially attractive, they said, when technology currently in place is at or beyond its expected lifetime due to obsolescence and high maintenance costs. These benefits continue to accumulate in following years and can provide a solid cornerstone for the business justification for the investment (which as mentioned earlier, respondents made clear must be backed by a detailed and comprehensive analysis with required payback periods of six to twelve months).

Contact Center Staffing

A large majority of respondents (81%) indicated they expect contact center staffing levels to remain steady or increase slightly (Figure 3). Clearly, they foresee no decrease in call volume, and in fact interviews indicate many organizations expect volumes to increase substantially. In verticals such as financial services, concerns over investment losses, bank stability and mortgage rates, have already resulted in increases in calls to the contact center. Increases are expected to continue with the anticipated expansion in the types of contact channel options provided to customers (text and instant messaging) and growing adoption of self-service.

Interviews reveal that economy of scale opportunities for larger multi-site operations (e.g. consolidation, centralization and standardization) are being evaluated as part of cost control initiatives. Growth in the home-based agent population seems set to outpace that of site-based agents (Figure 4). In general, companies appear reluctant to cut too far into their operational capabilities and risk hampering their ability to respond nimbly when the economy improves.

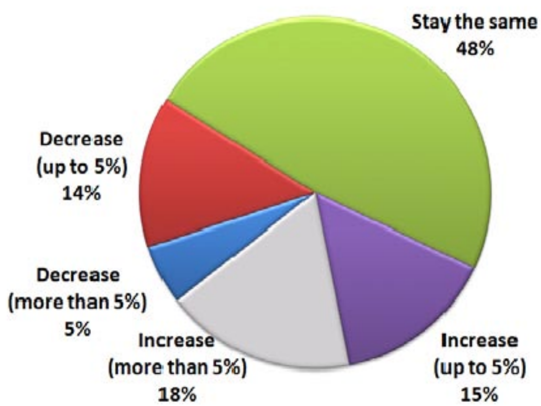

Figure 3: Expected Change in Agent Staffing

Home-Based Agents

Home-based agent staffing levels continue to rise. More than a third (37%) of respondents indicated they expect to increase their home-agent population, while 54% expect no changes (Figure 4). Surprisingly, the survey revealed increased plans for home-based agents in environments where they have not traditionally been employed, such as on the (virtual) trading floors of financial services organizations.

Many of the respondents that reported expanding their home-based agent staff cited a desire to change their home-based vs. in-house agent mix. This shift may be interpreted as a cost-control measure since home-based agents work more flexible hours and are generally less costly than traditional in-house agents. Interviewees also cited service improvement gains when using home-based agents, possibly attributable to these agents' generally higher education and better morale. As evidenced further on, this trend in agent staffing may also be partially responsible for helping to accelerate the switch from traditional to VoIP telephony infrastructure.

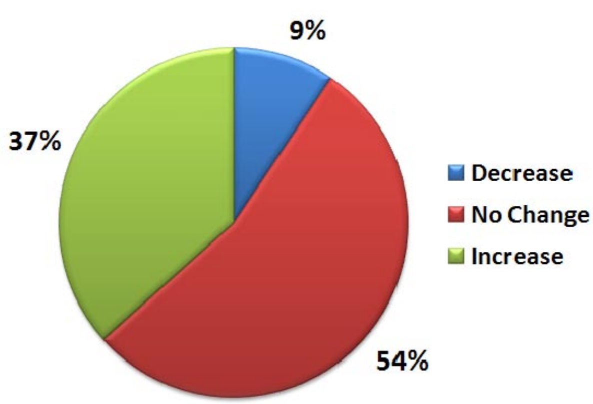

Figure 4: Expected Change in Home-Agent Staffing

Operational Priorities

Given the downturn, one might assume that companies' top operational imperative for contact centers is driving down costs. However, more than half of respondents (54%) said their primary business driver is increasing customer satisfaction (Figure 5). Aggregating respondents' top three choices, though, shows that customer satisfaction (30%) and cost reduction (23%) are both high priorities. What does this imply regarding strategic trends during the downturn?

The answer to that is perhaps reflected in the fact that the third top operational priority, gaining competitive advantage, balances the first two. Clearly, it's important to keep control of costs during challenging times. Retaining existing customers becomes even more critical during lean times, as prospects are scarcer, as are the funds with which to attract them. The survey points to a belief that competitive advantage will be gained by companies that maintain a healthy balance sheet and keep their customers happy.

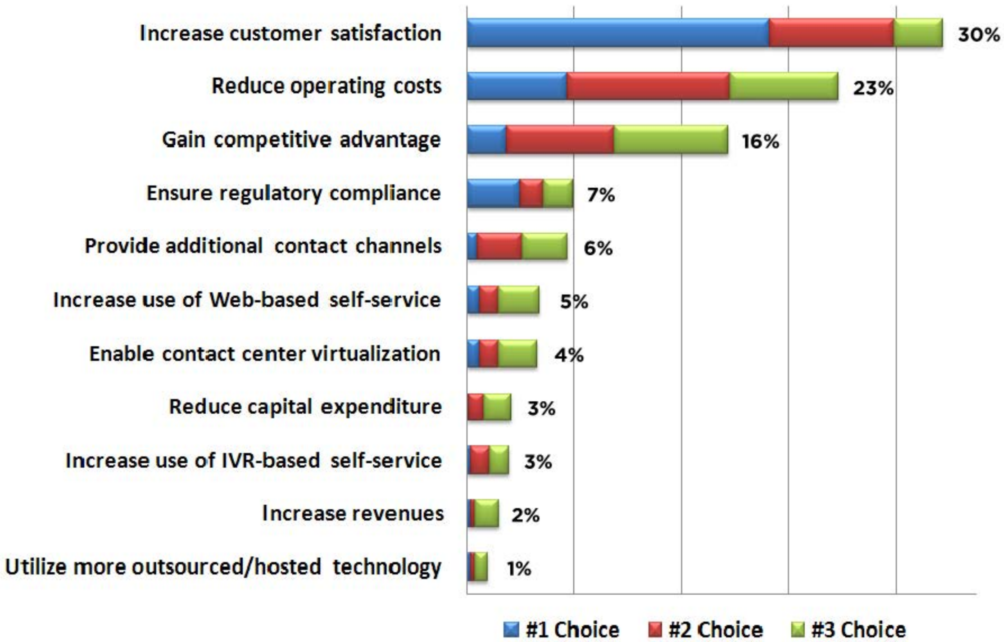

Figure 5: Top Contact Center Business Priorities

Technology Investment Priorities

Survey participants were asked to identify their top three short-term investment priorities for contact center technology (Figure 6). The top funding priority—both as respondents' first choice and among their combined top three choices—was telecommunications/VoIP infrastructure. Second place went to agent workforce optimization, which includes call recording, quality management, coaching, workforce management and contact center performance management. These results align with the operational priorities uncovered above: customer satisfaction and cost-cutting (Figure 5). Respondents cited investing in VoIP infrastructure as a way to lower operating costs. Workforce optimization and performance management solutions were viewed as means to improving both efficiency (cost control) and effectiveness (customer satisfaction).

Surprisingly, third-ranked among investment priorities was non-Web self-service, making way for technologies like text and instant messaging, as will be shown in the next section. Customer relationship management (CRM) and customer experience management (CEM) came in lower in the results, fourth and fifth respectively, as many respondents indicated these technologies have a significantly longer ROI timeframe than the others.

There was no indication of a trend for moving from premise-based technologies to a hosted or Software as a Service (SaaS) model, even among the small- and medium-sized business segment. Respondents did, however, express a willingness to investigate these alternatives, particularly if the downturn deepens or becomes protracted and cost concerns intensify.

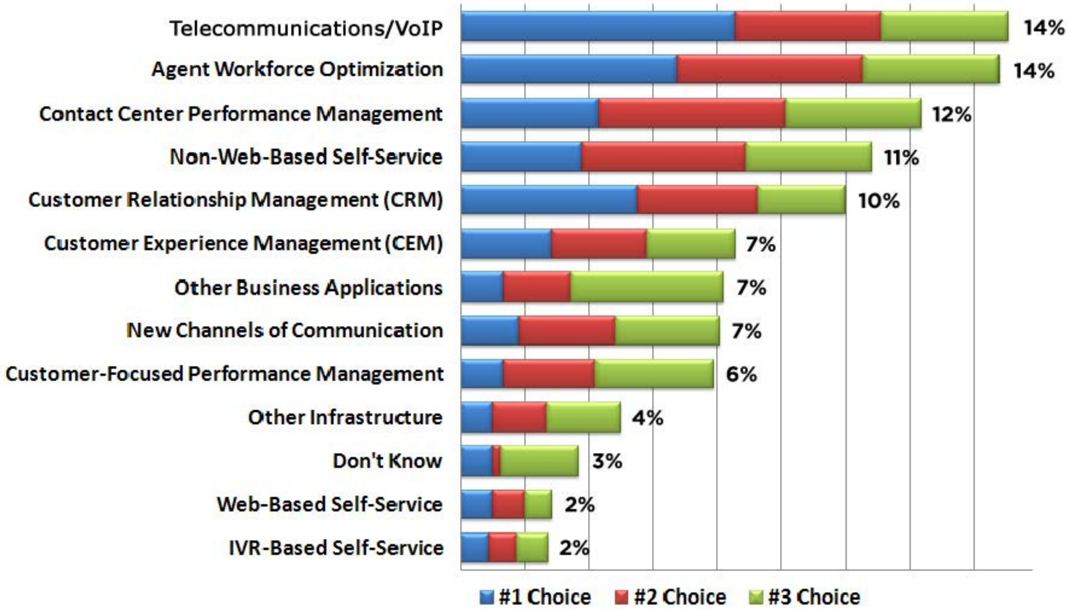

Figure 6: Top Technology Investment Priorities

Migration to VoIP

Telecommunications infrastructure investment plans were overwhelmingly related to implementing or expanding VoIP communications. As shown in Figure 7, 70% of those surveyed anticipate that, by the end of 2010, half or more of their contact center telecommunications will be VoIP-based. Roughly half of those (52%) expect their contact centers to be 100% VoIP within that timeframe.

In interviews, respondents shared that the move to VoIP is being driven by their needs to replace aging telecommunications infrastructure, expand infrastructure and satisfy new infrastructure requirements. Opportunities for significant reductions in operating costs, through its ability to support IT centralization and consolidation initiatives, were also cited as key drivers by larger contact centers. VoIP is clearly the preferred choice when deploying, expanding or updating telephony infrastructures.

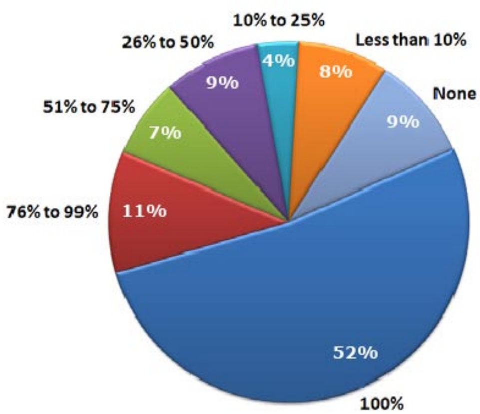

Figure 7: Percentage of VoIP-Enabled Seats by 2010

Increased Recording Coverage

Call recording coverage emerged as another short-term growth technology for respondents. Of those having less than 100% coverage, 57% expect to increase that percentage by 2010 (Figure 8) with more than one-third of those planning to deploy 100% recording coverage.

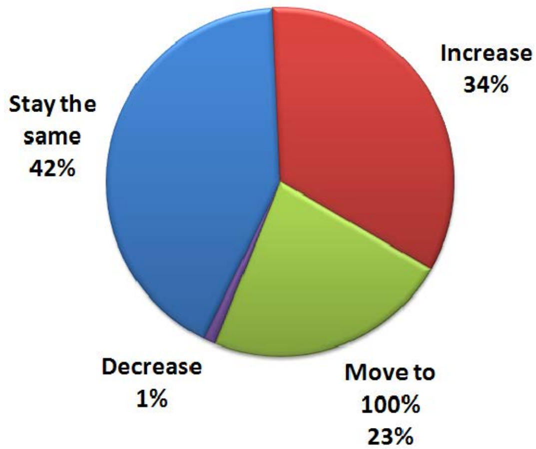

Figure 8: Change in Recording Coverage by 2010

What's behind the expansion in call recording? Respondents said regulatory compliance is a primary driver. Greater recording coverage also helps to improve the quality management process by providing more call samplings for evaluation and allowing managers to investigate specific performance issues such as script compliance or excessive transfers and hold times. Speech analytics, a strategic investment priority detailed in the next section, also delivers the highest return on investment when able to process higher volumes of recordings.

Strategic Investment Priorities

The final portion of the survey and interviews queried respondents about the future. Specifically, what technologies did they see carrying them into economic recovery? The results, exhibited in Figure 9, show the top-ten growth expectations for contact center application deployments planned by 2011. Although healthy deployment growth is expected to occur across the board, the largest gains are expected to occur in two speech technology related applications, speech analytics and natural language Web self-service.

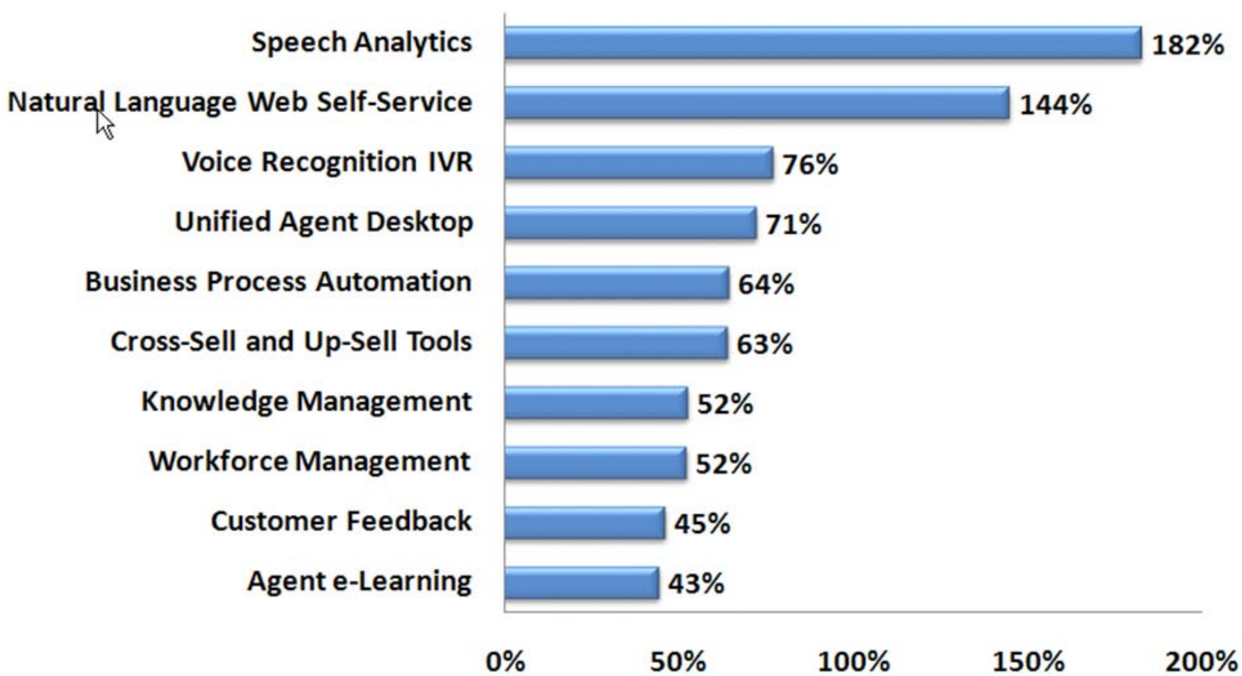

Figure 9: Projected Growth in Number of Contact Center Application Deployments by 2011 (Top Ten)

Speech Analytics

Remarkably, respondents foresee the number of planned deployments in speech analytics growing 182% over current deployments by 2011 (Figure 9). These findings suggest that speech analytics is changing from an intriguing concept to a mainstream, core business solution.

Interviewees noted that speech analytics technology presents an opportunity for their organizations to obtain valuable insights on key business issues from a readily available and historically overlooked information source—call recordings. Customer interactions with the contact center provide a wealth of information about their happiness, concerns and desires. The problem has been the sheer impracticality of listening to every recorded conversation to obtain such information.

Speech analytics removes that barrier by using speech recognition technology to automatically "listen" to every conversation. Early adopters of this technology have used insights gained into repeat calls, competitive promotions, up- and cross-sell performance, marketing campaign effectiveness, calling reasons and call duration to realize substantial savings and revenue enhancements—in the millions of dollars annually in many cases.

Multi-Channel Support

The dilemma about whether, and to what extent, to deploy support for non-telephone customer contact channels has been ongoing for many contact center operations. Survey results indicate that the time to support these alternative channels is now. Figure 10 shows respondents' expectations for changes in supported contact channels by 2011.

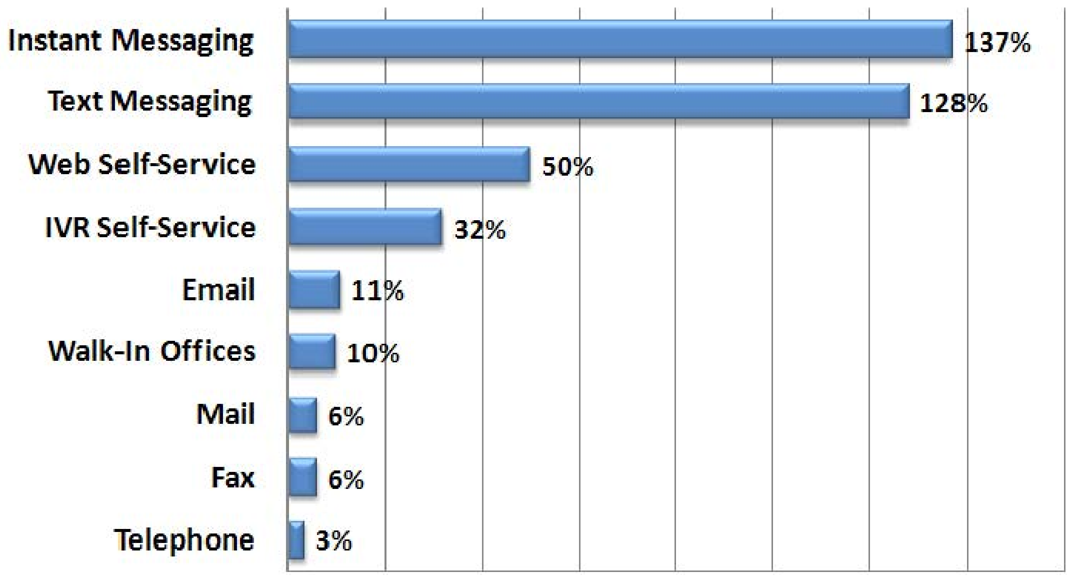

Figure 10: Percent Growth in Supported Customer Contact Channels by 2011

What's most telling is that Web self-service has become a less compelling part of the equation. Massive growth is expected to occur in instant (137%) and text (128%) messaging, while self-service channels like the Web and IVRs are expected to grow 50% and 32% respectively. Although still healthy growth rates, these stats suggest that perhaps Web and IVR solutions have saturated the market, or that consumers are becoming increasingly tech-savvy and desire more non-traditional contact options.

Growth in Customer Interactions

Survey participants were asked about their expectations in customer interaction volumes for their centers across all contact channels for the next 12 months (Figure 11). Only 16% expected to see an overall decrease. Increases are expected by 44% of respondents, with 14% expecting that increase to be significant. Interviews revealed that these expectations result from a combination of increases in customer concerns (especially marked in the financial services sector), expansion in the types of contact channels provided, and to a lesser extent customer growth.

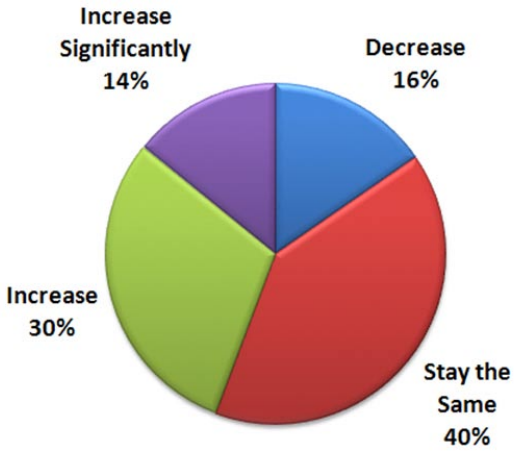

Figure 11: Expected Change in Customer Interaction Volumes in Next 12 Months

As the number of interaction points between customers and businesses increase, improving the efficiency of handling them is necessary in order to avoid corresponding increases in service costs. This can be accomplished by improving agent productivity, determining which interactions could be avoided in the first place or both. These factors may help account for the higher priority given to workforce optimization and speech analytics over CRM. As customer interactions are spread across more contact channels, it also becomes increasingly important to track and manage these interactions across the multiple channels.

Tracking Cross-Channel Interactions

The major challenge in managing customer service across multiple contact channels results from the lack of cross-channel information on interactions. Figure 12 shows that slightly more than half of survey respondents do track customer interactions across the various contact channels they support. In interviews, however, respondents said that, in most cases, where tracking information is collected, it is not actively used to manage cross-channel performance. In addition, they indicated that the greatest barrier to achieving cross-channel interaction management is the lack of supporting technology. Clearly, tracking and understanding "interaction chains" between channels represents an opportunity for contact centers to improve their customer experience as funding flows more freely and additional channels come online.

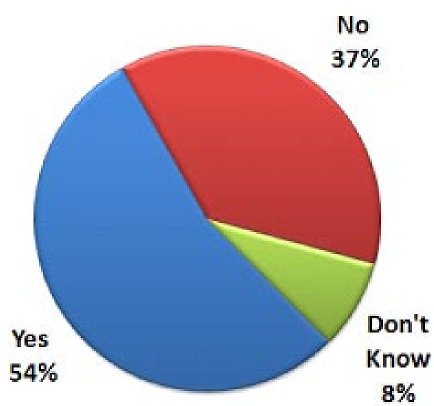

Figure 12: Currently Track Interactions across Channels

Multi-Channel Business Drivers

How, specifically, could analyzing information from across multiple channels help contact centers? Most respondents said that better utilization of cross-channel information would allow them to provide customers with consistent experiences from any contact point (Figure 13). Respondents also indicated that cross-channel insight would help them more accurately monitor and measure first-contact resolution (FCR). This information will be critical in helping identify new processes and improve existing ones dealing with the expanding collection of contact channels.

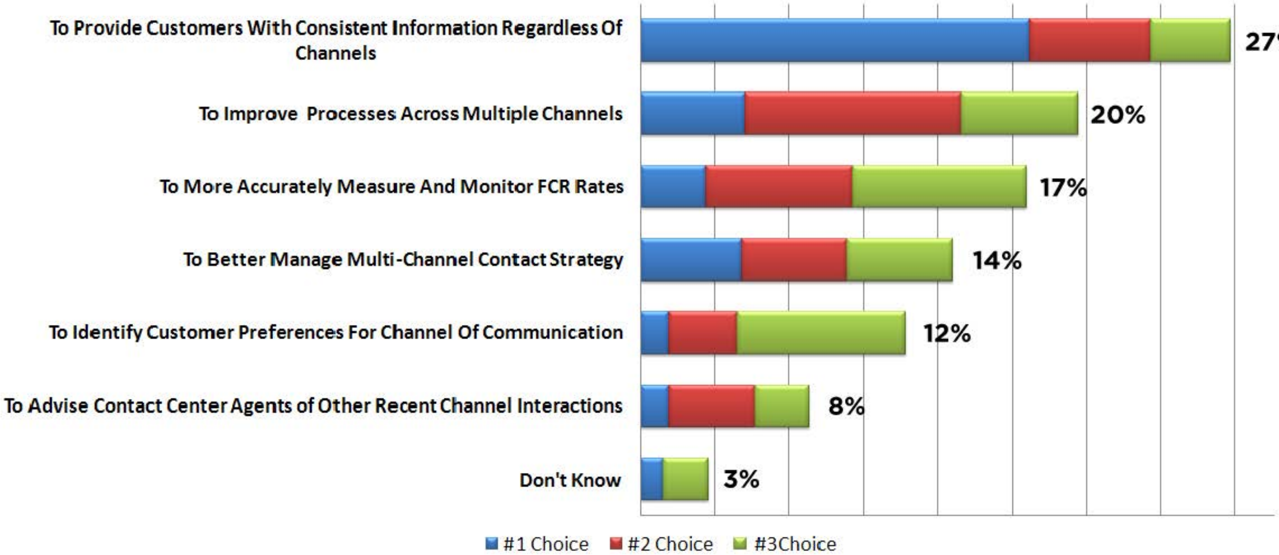

Figure 13: Top Business Benefits of Cross-Channel Information

Smart Agent Desktops

As shown in Figure 9, 71% growth in deployments is forecasted for unified or smart agent desktops in respondents' contact centers by 2011. Figure 14 shows the benefits they expect to reap from the use of smart agent desktop technology. Providing the elusive single view of the customer ranked number-one, particularly as many respondents noted that finding information is still a major challenge for agents and is a major contributor to excessive handling times.

Another benefit of smart desktops is the automated next-best action suggestions they generate for agents during customer interactions. For example, respondents said that reminders of required regulatory actions help reduce the incidence of non-compliance, and that flags for cross and up-sell opportunities, drive higher acceptance rates and ultimately revenues.

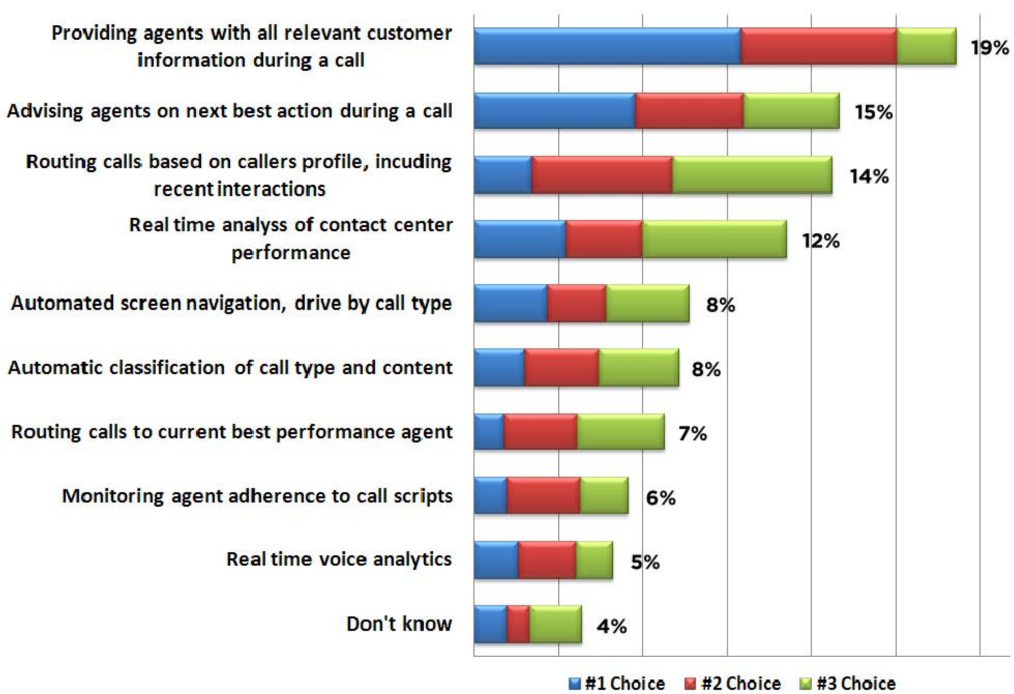

Figure 14: Top Agent Desktop Capabilities to Improve Performance

Conclusions

Overall, contact centers' response to the 2009 economic downturn reflects a journey. They began by preparing for the worst and are now beginning to look ahead with measured optimism.

As this survey and related interviews show, ensuring survival has been and continues to be priority-one. In the short term, contact center leaders are investing judiciously in technology while holding staffing steady. Shifts toward home-based agents, as well as lower-cost infrastructure, like VoIP, and workforce optimization and non-Web-based self-service, show that companies are looking beyond traditional staffing models and technologies to keep both costs down and customers happy. Customer satisfaction and cost containment are twin concerns.

There are indications that the economy is stabilizing and perhaps even improving, but many would argue that we are not "out of the woods" yet. As they begin to reinvest in and reinvigorate their contact centers, respondents noted almost universally, capital spending requests must be backed by detailed ROI analyses and show payback periods of six to twelve months. However, they do expect controls over discretionary spending to loosen as the economy improves.

Looking forward over the next two to three years, spending is forecast to accelerate, particularly on technologies that deepen companies' ability to serve customers more intelligently and consistently, improving retention and increasing wallet-share. Survey participants acknowledged that smart investment choices can position a business for rapid gains once market conditions improve. They believe that competitors that continue to aggressively cut costs will find it difficult to catch up and will likely experience greater challenges in reacting to growth opportunities after the recovery. Investing in well-placed, high-ROI technologies can position companies for competitive advantage in what may be a critical turning point.

Containing costs and preserving customer satisfaction have served contact centers well throughout the downturn. Now, after infrastructure and staffing needs have been addressed, enhancing the ability to deepen customer satisfaction will help prepare contact centers for the upturn. It will protect their customer base and position them to charge out of the gate when economic conditions improve, accelerating growth, gaining market share and improving profitability.

About NICE

NICE Systems (NASDAQ: NICE) is the leading provider of Insight from Interactions solutions and value-added services, powered by advanced analytics of unstructured multimedia content—from telephony, web, radio and video communications. NICE's solutions address the needs of the enterprise and security markets, enabling organizations to operate in an insightful and proactive manner, and take immediate action to improve business and operational performance and ensure safety and security. NICE has more than 24,000 customers in more than 150 countries, including more than 85 of the Fortune 100 companies. More information is available at www.nice.com.

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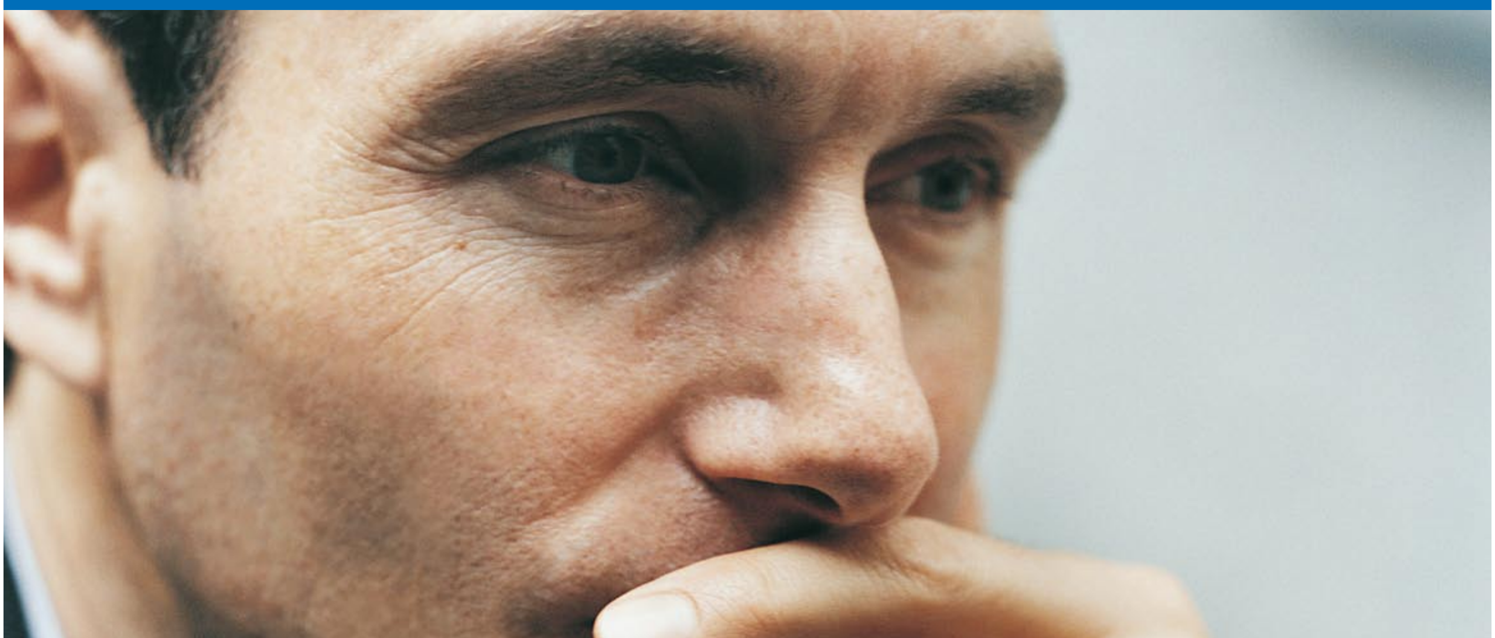

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