

DMG
CONSULTING LLC



Building a Business Case for Cloud-Based Contact Center Solutions

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I. Introduction

Delivering an outstanding experience to customers and prospects – whether it’s for sales, customer care or service, technical support, scheduling meetings, etc. – requires skill and finesse, no matter the size of your company. As a company grows, so do the responsibilities and demands on the customer-facing team. While it is possible to deliver a great personalized experience to customers without technology when a company is small and still knows everyone by name, it is not possible once the business hits its stride and gains scale. What this means is that the approaches that worked to get organization to where it is today are no longer effective and are holding back the company’s growth. When this occurs, and it happens to all successful businesses, it is time to transition from an informal service/sales organization to a more structured operating department that utilizes best practices and systems to achieve company goals cost effectively.

II. Common Business Challenges and their Solutions

Below are 4 of the common challenges that small and mid-size front-office customer service and sales organizations encounter as they grow and mature. See Figure 1. For each problem, we have provided a solution with best practices, and have then described and quantified some of the benefits. The actual benefits will vary based on the business type, maturity, size and existing skills of your organization. Companies that are implementing their first contact center solution should realize greater benefits than those that are replacing existing systems. In addition to the “hard” benefits for which there should be a financial payback, each of the four solutions should also yield “soft” benefits that contribute to the company in a variety of ways.

- 1. Problem:** *No (or little) visibility or accurate data regarding the performance of front-office customer-facing staff* – do not have systems or ability to accurately track the types of work, quality, volume, productivity or cost of the staff who interact with customers and prospects. This concern becomes noticeable when the volume of calls, emails, chats, SMS and social media posts increases to such a degree that interactions are not being handled on a timely basis, which impacts the ability to close new business and drives customer attrition.

Solution and Best Practices: Acquire a cloud-based omni-channel contact center infrastructure solution (an automatic call distributor (ACD) and/or dialer) with flexible reporting. The solution should be scalable so the roll-out can start with a few agent seats and add more, as needed. The

system should come with a universal queue and desktop application that makes it easy for agents to handle different types of customer interactions. This solution should come with a series of out-of-the-box reports and real-time dashboards that track the department's performance at many levels – overall, site, team and individual agent – on a daily, weekly and monthly basis. (It's also a good idea to have a custom reporting capability and the ability to download system data into the company's performance management data repository.)

Benefits: Implementing a feature-rich contact center solution will be a game-changer for the organization, as it provides the ability to track, measure and evaluate the performance of the customer-facing team. (It will also make a measurable contribution in making the transition from a PBX or basic call center solution.) The primary metrics of performance for customer-facing teams are: total volume of received and handled interactions (calls, emails, SMS, chats, social media, correspondence, etc.); average handle time (AHT) for each type of interaction; quality, which measures how well agents adhere to internal policies and procedures; customer satisfaction, which tracks whether customers and prospects are satisfied with the service experience; and cost per interaction.

Quantifying the Business Case: 10% – 40% reduction in AHT, 5% – 10% reduction in callbacks or follow-up interactions, 20% – 50% improvement in quality, and 5% – 10% improvement in customer satisfaction. These benefits will drive a reduction in the cost per interaction.

- 2. Problem:** *It is difficult to figure out how many people are needed (or will be needed in the next week, month, etc.) to handle the incoming/outgoing volume of interactions – do not have tools that help to forecast demand or schedule staff to ensure the ability to deliver a consistently outstanding customer experience and live up to the brand promise. It may also be difficult and increasingly expensive to find high-quality resources.*

Solution and Best Practices: Acquire a cloud-based workforce management (WFM) solution to forecast and predict the anticipated volume of incoming and/or outgoing interactions, and to determine the days and hours of the week they are needed. A WFM solution will help anticipate and plan for immediate and longer-term resource requirements so employees can be hired and trained when needed. The solution will keep staff-related costs down and department performance and quality high by identifying the optimal schedules and skills required for each increment of the day.

Benefits: WFM solutions are helpful for contact centers of all sizes, particularly for complex and omni-channel, multi-site environments. A major benefit of WFM solutions is that they identify when people are needed and what skills they should have so that companies can optimize their resource costs. These solutions are effective in engaging employees, as the good ones come with self-service capabilities that allow agents to select their preferred working hours and time off. This will improve the perception of the company and attract better resources, and it frees supervisors from being involved in scheduling activities. Another major benefit of a WFM solution is that it keeps track of what the staff is doing at all times, so they can be alerted when they are misallocating their time. WFM solutions drive productivity, quality and employee satisfaction.

Quantifying the Business Case: 50% – 70% reduction in overtime fees, 5% – 10% reduction in agent attrition and 10% – 20% improvement in staff productivity.

3. **Problem:** *Not knowing the regulations for recording, data security, healthcare, protection of personal information, collections, outbound calling, etc., which ones apply to the company, or how to comply with them* – Whether it's PCI-DSS, HIPAA, GDPR, TCPA, FDCPA, recording restrictions, or dozens of other state and regional requirements, service organizations need to comply with myriad state, federal, country and industry-specific rules and regulations. Although small and mid-size contact centers often fly under regulatory radar, they are required to comply with many of the rules and should do so to minimize the risk of fines and a negative impact on their brand.

Solution and Best Practices: Select a recording, workforce optimization (WFO) and/or contact center infrastructure vendor who has the knowledge and resources to help the company understand and comply with the appropriate regulations and stay out of trouble. When selecting a vendor, carefully evaluate their applications and ongoing support to make sure they meet the company's current and future needs. It's also important to determine if the vendor has experience with similar size companies, is knowledgeable about industry-specific regulations and has the resources to help the company comply. Lastly, as few companies can afford to dedicate legal resources to all of the contact center regulations, it can be very helpful to select a vendor that can provide this guidance on an ongoing basis. (DMG recommends reviewing the vendor's legal guidance with your chief counsel.)

Benefits: A regulatory-compliant contact center, which will reduce the risk of fines, improve data security and protect the brand. It also positions the

company to stay current with frequently changing regulations, without having to depend on expensive lawyers.

Quantifying the Business Case: Benefits result from avoiding costly fines (\$25k to \$1million), minimizing security breaches (cannot be estimated) and reducing legal costs (\$50k to \$250k).

- 4. Problem:** *Revenue opportunities are being missed, and money is being left on the table* – do not have systems, automation or tools to help reach the right prospects and make the best offers. Making matters worse, the company is not getting back to people as promised, and the brand suffers when representatives speak with prospects, because the company lacks the tools to personalize the experience.

Solution and Best Practices: Acquire and implement an omni-channel outbound proactive customer care solution that allows the company to reach customers in their channel of choice. It's also a good practice to use a campaign management system (CMS) to identify prospects and keep track of their preferred method of interacting with the organization. (The CMS should also be used to track each contact's phone numbers and whether or not they have given "express consent" to be contacted on their cell phone.) The company will also benefit from using a customer relationship management (CRM) application that keeps track of all customers, prospects, interactions, offers, contact history, etc., so that all interactions can be personalized. As with the rest of these solutions, the systems should be cloud-based to benefit from system scalability and flexibility as the company grows.

Benefits: Using an omni-channel outbound solution will increase revenue and the close rate of new sales and/or dollars collected. It will also enhance staff morale and retention by improving the close rate, which will increase their commissions and salary. Using a CRM solution will improve the customer experience as agents and sales reps will know who they are interacting with and can personalize the contact. Delivering a high-value personalized experience will improve the company's brand.

Quantifying the Business Case: 5% – 20% increase in revenue, 5% – 10% increase in contact rates, 10% decrease in complaints, and 5% – 10% reduction in cost per sale or collection.

Figure 1: Top Contact Center Investment Drivers



1. No (or little) visibility or accurate data regarding the performance of front-office customer-facing staff
2. Difficulty figuring out how many people are needed (or will be needed in the next week, month, etc.) to handle the incoming/outgoing volume of interactions
3. Not knowing the regulations for recording, data security, healthcare, protection of personal information, collections, outbound calling, etc., which ones apply to the company or how to comply with them
4. Revenue opportunities are missed and money is left on the table

Source: DMG Consulting LLC, April 2018

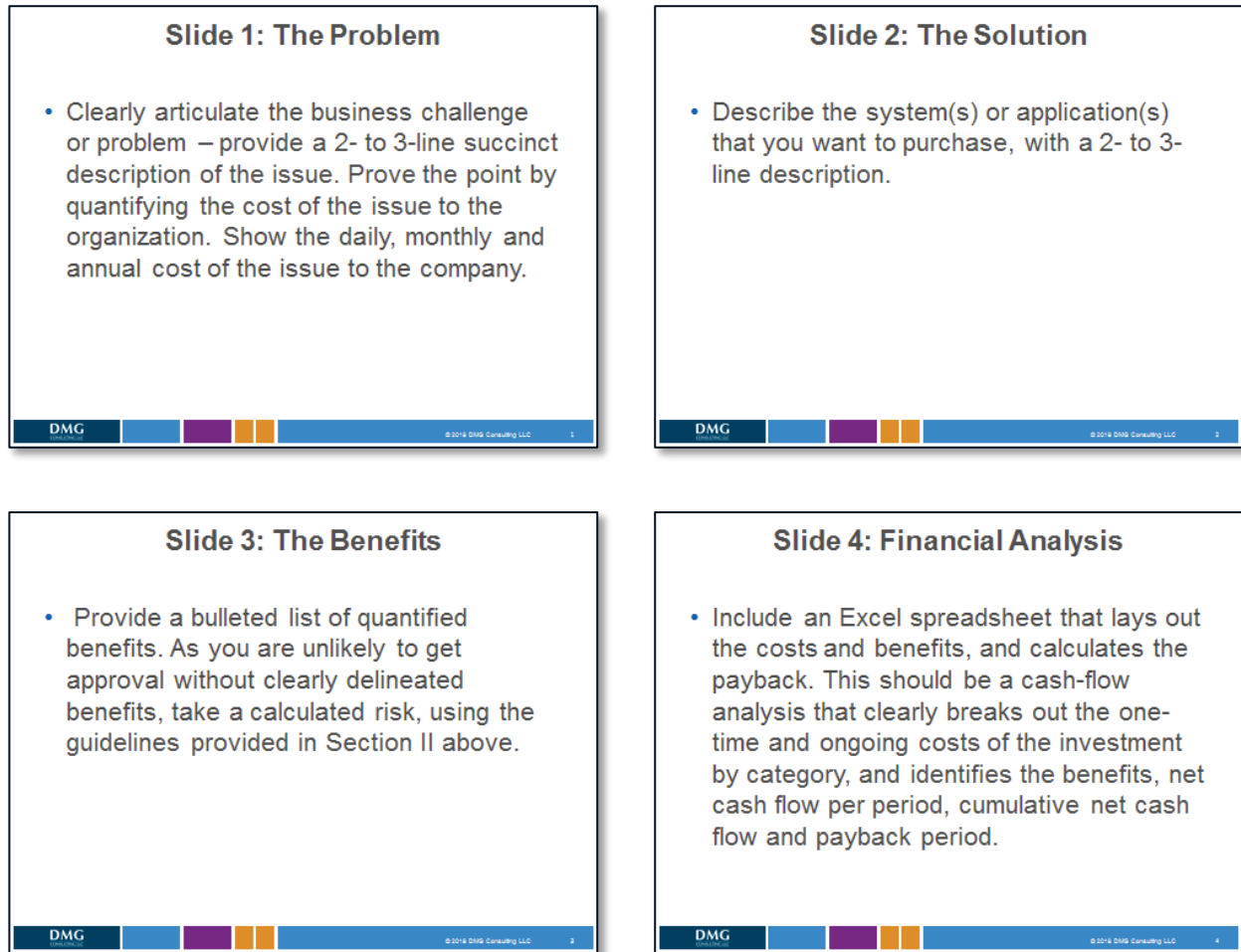
III. Building a Business Case

If you are facing any of the four situations addressed in the prior section, your organization will realize significant benefits from new contact center technology. However, in order to get authorization to acquire the needed systems, you are going to need to build a compelling business case that convinces executive management to make an investment. And to achieve this goal, the business case will need to provide quantifiable benefits that result in a payback in no more than 18 – 24 months. It helps if the new investment also improves the customer experience, quality and customer satisfaction, but as these benefits are difficult to quantify, they are secondary.

As reflected above, DMG strongly recommends investing in cloud-based solutions, because they can scale and grow along with your business. Another reason to acquire a cloud-based solution is that the initial cash outlay for the implementation will be relatively small, as most of the costs will be included in monthly usage fees. These fees are charged to the operating budget instead of requiring a large capital outlay that takes 5 years to depreciate, which conservative owners and CFOs prefer to avoid. Since cloud-based systems require a smaller up-front commitment, they are perceived as less risky and are more likely to be approved.

DMG has helped companies of all sizes build business cases and obtain approval for contact center investments. Our approach is to give the facts and keep it simple with a 4-slide PowerPoint presentation. See Figure 2 for an example senior management presentation.

Figure 2: Senior Management Presentation



Source: DMG Consulting LLC, April 2018

The challenge in this process is to find the right solution and then fully identify and clarify all of the one-time and ongoing costs, so there are no surprises during the acquisition and implementation process. Figure 3 is an example of the cash flow and payback analysis referenced in Slide 4. This Figure shows \$68k in one-time costs incurred when the system is installed (which is referred to as Year 0.) The ongoing costs for using the cloud-based solution are \$48k in Year 1, and increase slightly in each of the next two years. The benefits realized from the contact center drivers mentioned above are estimated to be \$100k in Year 1 and

increase slightly in Years 2 and 3. The cash flow is negative in the start-up year and positive in Years 1, 2 and 3. The cumulative net cash flow is negative in Years 0 and 1, and positive in Years 2 and 3. As a result, the payback period is 15.5 months. If the benefits were higher, the payback would be quicker.

Figure 3: Typical Cash Flow and Payback Analysis

Business Case Cash Flow and Payback Model				
	Startup Year 0	Year 1	Year 2	Year 3
One-time costs:				
Installation/Implementation Professional Services	\$45,000			
Integration Professional Services	\$20,000			
Training/Workshops	\$3,000			
	\$68,000			
Ongoing costs (per year):				
Annualized service fees (20 seats)		\$48,000	\$50,400	\$52,920
		\$48,000	\$50,400	\$52,920
Benefits (per year):				
Benefits from selected initiative(s)		\$100,000	\$105,000	\$110,250
		\$100,000	\$105,000	\$110,250
Net cash flow (per year):	(\$68,000)	\$52,000	\$54,600	\$57,330
Cumulative net cash flow	(\$68,000)	(\$16,000)	\$38,600	\$95,930
Payback period (in months)	15.5 months			

Source: DMG Consulting LLC, April 2018

IV. Final Thoughts

As companies grow, they need contact center solutions and applications that enable them to deliver an outstanding, cost-effective customer experience. To convince financially conservative executives and owners to make investments, you need a strong and compelling business case that is supported by quantifiable benefits from increased revenue, cost reduction and possibly cost avoidance. If the investment pays for itself in less than two years, your business case should be approved.

About NICE

NICE (Nasdaq: NICE) is the worldwide leading provider of both cloud and on-premises enterprise software solutions that empower organizations to make smarter decisions based on advanced analytics of structured and unstructured data. NICE helps organizations of all sizes deliver better customer service, ensure compliance, combat fraud and safeguard citizens. Over 25,000 organizations in more than 150 countries, including over 85 of the Fortune 100 companies, are using NICE solutions. www.nice.com.

About DMG Consulting LLC

DMG Consulting LLC is a leading independent research, advisory and consulting firm specializing in contact centers, back-office and real-time analytics. DMG provides insight and strategic guidance and tactical advice to end users, vendors and the financial community. Each year, DMG devotes more than 10,000 hours to producing primary research on IT sectors, including workforce optimization (quality management/liability recording), workforce management, performance management, speech analytics, desktop analytics, robotic process automation, text analytics, customer journey analytics, surveying/voice of the customer, voice biometrics, cloud-based contact center infrastructure, dialing, intelligent virtual agents, interactive voice response systems and proactive customer care. Our actionable solutions are proven to deliver a lasting competitive advantage, and often pay for themselves in as little as three months. Learn more at www.dmgconsult.com.

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