

A Genesys eBook

# Contact center economics and the cloud

## Contact center costs are decreasing

A few years ago, many businesses were still unsure of the viability of moving their contact centers and other critical enterprise systems to the cloud. With the decrease of cloud costs since then, and the corresponding increase in security, flexibility and regulatory compliance of hosting platforms, the viability and total cost of ownership (TCO) of cloud deployments are attracting more businesses, regardless of size, geography, or technology footprint. Many companies still choose to go on-premises, however, because of their perception of issues around control, legacy integration, or business culture. Nevertheless, reports from the latest Ovum research indicate that the more applications and functions your company includes with your core routing, the more long-term (from three to five years) cost benefits you'll derive from hosted systems in the cloud than you would from maintaining your systems on-premises.

# Latest total cost of ownership research and technology scenarios

## Where does your contact center fit?

In March, 2016, Ovum updated research comparing the pricing of cloud solutions in North America. They looked at multiple vendors with different sized contact centers and different levels of technology footprint. Their nine distinct scenarios represent common use cases reflecting a variety of needs. You can likely identify the use case that best matches your contact center profile.

## Which scenario best matches your profile?

In addition to deployment costs, such as configuration and customization, the five-year cost analysis includes call recording and storage, technology management and administration, plus annual support costs. The research also uncovered a trend toward lower pricing compared to the same scenarios evaluated three years ago.

Contact Center Size	Low-Tech Footprint IVR and basic call routing	Medium-Tech Footprint Low-tech footprint needs-plus workforce optimization tools such as call recording, quality monitoring, and workforce management	High-Tech Footprint All low- and medium-tech footprint needs plus multichannel support, advanced routing, and outbound predictive dialing
Small: 50 agents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Medium: 300 agents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Small: 50 agents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## How does company size affect choice between cloud and on-premises?



Companies of different sizes have distinct criteria for choosing cloud or on-premises solutions. They also focus on different benefits when they evaluate costs.

- Smaller contact centers will see less of a gap between the short- and long-term costs of cloud versus on-premises applications, so they often focus more on ease of use and initial price as the differentiator among vendors.
- Mid-sized contact centers have strong interest in the flexibility of technology and delivering competitively better customer experience, leading them to the cloud. The cloud also helps them to manage the headaches that can result from a poorly integrated multivendor environment.
- Large contact centers often explore managed services or hybrid modes of deployment because of the relative complexity of their requirements. The larger and more advanced the application suite, the more benefits accrue from cloud flexibility, according to the research.

Regardless of company size, issues like your plans for customer experience and requirements for integration with legacy or third-party systems bear on your choice of cloud versus on-premises deployment.



## How does geographic location affect choice between cloud and on-premises?



Location has much to do with cloud trends and costs. Although the Ovum report calculations include only North American contact center prices, they also researched costs in other geographies.

- In the UK and northern Europe, cloud prices tend to be higher than in the US. Typical contact center configurations are smaller than those of US organizations, and 750-seat or larger contact centers are rare.
- There is much greater price sensitivity in the Asian Pacific, Latin American, and southern European regions.

In the US, the west coast is more “cloudy” than the Midwest or east coast, suggesting that there is more acceptance of the cloud due to the proximity to Silicon Valley. For west coast companies, there’s an affinity with the startup culture and comfort with the practices of companies like Google, Facebook, and Amazon. For many west coast companies, a cloud approach is an early and easy decision. This Silicon Valley effect is less of a factor for companies in other regions.

If your organization does business across geographies and needs multinational capabilities, this will affect your choice between cloud or on-premises deployment. It is easier and faster to set up distributed agent pools in the cloud than it is to establish physical data centers around the globe.

## How do business factors affect the choice between cloud and on-premises?



Beyond traditional factors considered in TCO, the cloud offers other significant strategic advantages that can affect your opportunity costs and proffer business advantage. Typically, some of these are:

- Faster deployment of new features and agent pools
- Faster and increased ability to scale up or down to match seasonal or campaign bursts
- Automatic application of incremental updates, ensuring continuous improvement

The cost of regulatory compliance, such as PCI (Payment Card Industry) or HIPAA (Health Insurance Portability and Accountability Act in the U.S.) certifications, is something you must also factor in when comparing cloud hosting to maintaining an on-premises environment.

The cost of capital is another consideration. Businesses pay for cloud systems out of operating expenditures (opex), whereas new on-premises facilities and equipment require capital expenditures (capex). Shorter contract terms are sometimes available for cloud applications for evaluating solutions or to cover short-term needs. Based on the structure and current status of your organization, analysis of opex versus capex can be factored in to your cost evaluation.

## Additional costs of on-premises deployments



Many companies believe that on-premises systems give them a greater degree of control of their platform. In addition, in some cases on-premises technology is more mature and has more advanced capabilities than similar cloud applications. In spite of such advantages, there are additional costs to maintaining on-premises systems, as well as overhead and opportunity costs to consider.

With on-premises deployment, it's harder to try out new features and distribute agent pools. Long-term maintenance of on-premises systems is sometimes costlier, commonly requiring major upgrades to enterprise software every five years.

In a typical scenario, if a contact center works with five different vendors, major upgrades will be needed at average rate of one per year per vendor. The hidden costs, which include project teams, professional services, and process meetings involving five to 10 staff employees, are substantial enough that you can't ignore them. Your lost opportunity costs, overtime costs, and the cost of risks associated with technology evolution are often omitted or not rigorously measured in comparing TCO.

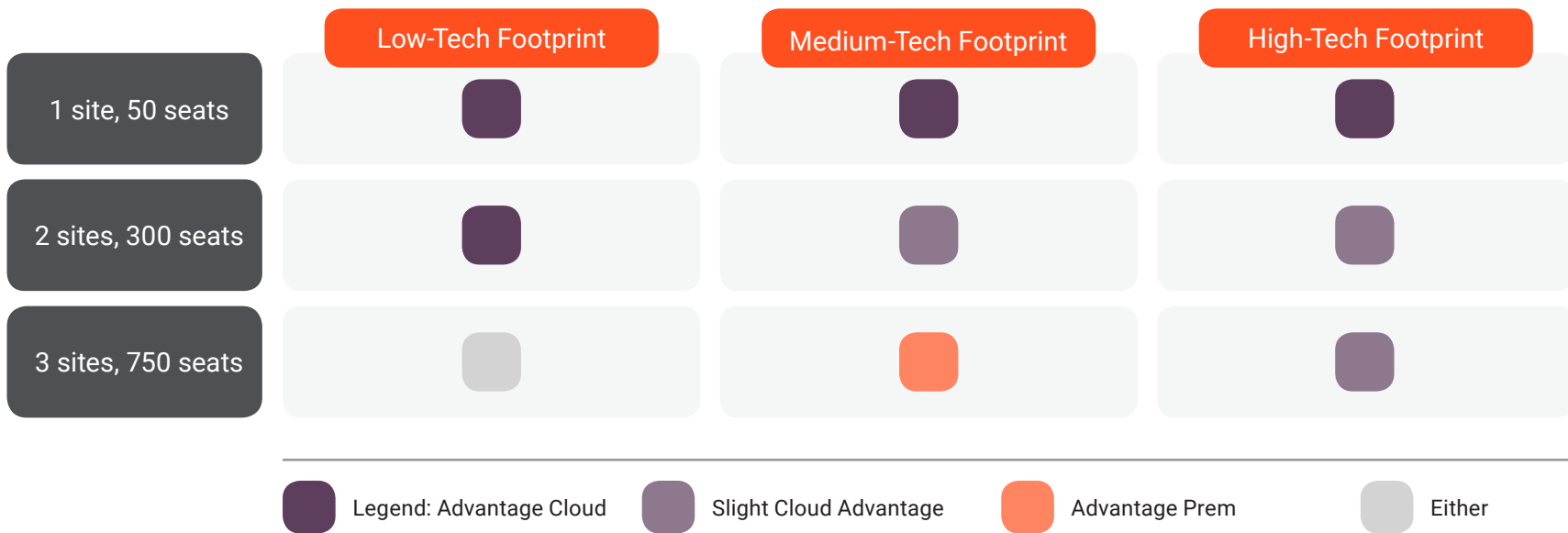
## Choosing the right deployment mode

By itself, cost might not be a compelling reason to choose between cloud or on-premises deployment, especially when you're considering a timeframe of five years or more. You'll weigh price along with other significant factors such as the need for business flexibility, scalability, control, and corporate culture.

Ovum research finds a lower TCO for either cloud or on-premises deployment modes based on contact center characteristics and technology footprints, illustrated in the table. Single site contact centers with fewer than 50 seats are probably at an advantage with cloud deployment. Businesses with two sites and 300 seats, depending on technology footprint, could be slightly more advantaged by cloud deployments.

Larger businesses with three sites and 750 seats, with a low-tech footprint, could go either way. For larger businesses with a medium-tech footprint, on-premises could be an advantage. For larger businesses with high-tech footprint, such complex sites might be at an advantage with cloud deployment.

When you choose deployment mode, factor in your size, contact center complexity, and plans for investment in customer experience.





## Choosing the right cloud solution



In making the choice between cloud and on-premises deployment, many companies are moving to a best-of-suite approach, rather than trying to cobble together technologies from different vendors. Choosing a suite solution reduces the number of different interfaces for agents and supervisors, reducing training requirements. In addition, it simplifies and reduces the level of integration, implementation, and maintenance required of IT.

Keep in mind also that with on-premises platforms, compliance issues involving PCI (Payment Card Industry), SOC (Service Organization Control), ISO (International Organization for Standardization), or HIPAA (Health Insurance Portability and Accountability Act in the U.S.) are your responsibility. In cloud deployment, the vendor is responsible for those certifications, lowering your costs and assuming the risks for maintaining compliance. Choose a vendor that can provide references in your industry and has broad exposure to multinational issues and factors associated with growth in your field.

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