



# Hosted Contact Center Infrastructure Market Report Reprint

2010 - 2011

Reprinted for:

**liveops**<sup>®</sup>

**DMG**  
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## 1. Introduction

It took a long time for enterprises to seriously consider hosting their core contact center infrastructure technology. The “Great Recession” was the pivotal event that forced many organizations to look for alternative ways to acquire core contact center routing and queuing software. In 2008 this IT sector started to attract greater attention, and it has been growing rapidly ever since.

As of the end of 2009 DMG Consulting estimates that there were at least 339,850 hosted contact center seats in the market, having grown by 20.9% from 2008. This market now has strong momentum and is expected to continue to grow rapidly for the next four years. DMG Consulting predicts that the market will increase by 35% in 2010, 25% in 2011, 20% in 2012, and 18% in 2013. Given that the contact center infrastructure market is mature and sales of premise-based ACDs are expected to be modest, these numbers represent a significant paradigm shift. These projections make it clear that hosting core contact center infrastructure has moved from an insignificant activity to one that is increasingly considered mainstream.

### ***Recession Changes Perception of Hosted Contact Center Infrastructure***

When hosted contact center infrastructure was first introduced back in the early 2000’s it was expected to democratize the world of contact centers by making it easy for small and mid-size companies to acquire core technology without large up-front investments. This has become a reality and many small and mid-size contact centers with less than 50 seats are purchasing these solutions. This trend is expected to continue for many years to come. It is believed that there are hundreds of thousands of informal or rudimentary small and mid-size contact centers around the world that could benefit from more sophisticated technology. Even if just a small percentage of these companies make this move, the numbers could be staggering.

The recession changed market dynamics and forced companies of all sizes to consider the hosted route when installing or upgrading contact center infrastructure. By the middle of 2008, enterprises that previously would not entertain proposals from hosted providers started to invite them to bid on their requests for proposals (RFPs). Furthering this sector’s cause was the much diminished presence of a couple of leading contact center infrastructure providers, specifically Siemens and Nortel. Siemens continues to be a player in the contact center infrastructure market but has struggled to execute. Nortel, previously one of the contact center market leaders, failed and sold their contact center infrastructure product line to Avaya.

As the performance of some of the premise-based providers declined, a new set of hosted competitors were emerging, giving enterprises new choices. Many

telecom people are very conservative and were not thrilled with the concept of hosting core technology that they were used to having on-site. But given the success of hosted IVR and Salesforce.com, they could no longer claim that hosting was an inherently high-risk proposition.

### ***Outlook for the Hosted Contact Center Infrastructure Market***

The outlook for the hosted contact center infrastructure market is outstanding. The hosted contact center infrastructure vendors, like their IVR brethren before them, are waking up a market that had become complacent and slow-moving. Over the last few years a new group of competitors have emerged with a variety of hosted offerings suitable for contact centers of all sizes. Some of these vendors are investing millions in R&D as they strive to catch up on basic contact center functionality at the same time as they deliver differentiating capabilities to the market. Better yet, end users who were tired of waiting for traditional vendors to address their urgent requests for new functionality have found a receptive audience in the hosted providers, who are hungry for business and positioned to deliver product enhancements in months rather than years.

Prospects have many choices, and the increased competition has placed additional pressure on premise-based providers to be more responsive and cost effective. End users of all sizes, particularly in those in the 20 to 1,500 seat range, should explore all of their options for making acquisitions. DMG Consulting encourages end users to include hosted vendors in their selection process. This will increase choices while decreasing cost, as it will encourage vendors to compete aggressively for business.

Total contact center worldwide revenue spending is projected to be \$8,643 million. This number is up by 8.6% over the 2008 contact center revenue number of \$7,956 million. During 2010, \$4,083 million will be spent on products and installation, \$3,275 million spent on maintenance, and \$1,285 spent on professional services.

Core routing and queuing (automatic call distributor, or ACD) remains the largest revenue category, accounting for 27.8% of all 2010 worldwide contact center revenue. IVR is the second largest revenue category, responsible for 25.7% of the market's revenue in 2010. The dialer is the third largest category; it is expected to earn 5.9% of all contact center revenue in 2010.

## **2. State of the Hosted Contact Center Infrastructure Market**

For the past three years we've written that the current year is the best in the history of this market. This is again the case in 2010, but even more so than in prior years. Since 2008, the recession fueled the growth of the market. Enterprises that could not afford or did not want to make capital investments have turned to hosted providers.

While the recession was still a growth driver in 2010, it was only one of the reasons that organizations of all sizes were evaluating and purchasing hosted contact center infrastructure solutions. In the recent past, hosted solutions were considered functionally inferior to premise-based solutions. Although there is still a great deal of opportunity for improvements and tremendous variability in all aspects of these solutions, the hosted contact center infrastructure market has made great strides in the past three years. In some cases, they offer functionality that is differentiated not only from each other but from premise-based offerings. On a percentage basis, the hosted vendors are investing significantly more in R&D than the premise-based vendors.

One place where we've recently seen some of the hosted vendors begin to come on strong is in the area of reporting. This remains an area of major dissatisfaction amongst premise-based users, as well as for many of the hosted vendors. It will be interesting to see how the hosted vendors address this area in the next few years.

DMG Consulting expects the hosted contact center infrastructure market to continue to pick up momentum for the next few years. While there are still "greenfield" opportunities, most of the wins are expected to be for replacements of existing premise-based sites. There are now many reference sites for contact centers of most sizes in most industries, public, private and higher education.

While most customers are satisfied with their hosted contact center infrastructure providers, there is still a great deal of room to improve. But, keep in mind that the hosted vendors are caught in the middle of an interesting situation that will force them to continue to enhance service quality, no matter how good it is, on an ongoing basis. When a customer replaces an incumbent application, they have pre-established expectations for functionality, reporting, services, training and ongoing support. The hosted vendors must strive to be better in all areas than the premise-based providers because they are the "new kids on the block" and therefore have something to prove.

This does not imply that all hosted contact center infrastructure customers are pleased with their vendor, solution, service and ongoing support. They are not,

and many of them are highly justified in their criticism. The honeymoon is now over for the hosted providers, and they are going to have to substantially improve the consistency of their delivery, applications and ongoing services.

### **3. Benefits and ROI of Hosted Contact Center Solutions**

The hosted business model is compelling. It gives enterprises of all sizes access to contact center infrastructure and the other contact center applications they need to cost effectively provide an efficient and outstanding customer experience. The hosting business model allows companies to acquire functionally rich technology and applications without a large capital investment or long-term commitment. It is also highly scalable (up and down), and gives users ongoing technical support and access to innovation and upgrades at no additional cost. Ease of provisioning, a reduced maintenance burden and the opportunity to “try before you buy” make hosted solutions an attractive and low-risk alternative to on-premise solutions. Depending on the needs of the enterprise and how long they want to use a hosted solution, the benefits and return on investment (ROI) can be significant.

While there are many benefits from hosted technology offerings, prospects should perform a financial lease (hosted) vs. purchase/license analysis to understand the impact of this acquisition model on their bottom line. Chief financial officers (CFOs) often prefer the hosted acquisition approach, as it allows them to hold onto their company’s capital. This benefit is compelling even when CFOs know that after three to five years the cumulative cost could be higher for a hosted service model. In general, if an organization were to purchase a premise-based contact center solution and not make any upgrades or enhancements over the life of the asset, it would likely cost them less than if they used a hosted solution. However, if an organization plans to keep their ACD current, take advantage of product enhancements, or has to upgrade their hardware every few years, it is likely that a hosted solution would prove more financially beneficial.

Another important factor to take into consideration when doing a host vs. buy analysis is the impact of ongoing operating costs. When the cost of IT support staff and rent and occupancy are added to the equation, it also slants the financial decision in favor of hosting, in many situations.

End users are strongly encouraged to perform a host (lease) vs. buy analysis and total cost of ownership (TCO) analysis as they consider the different acquisition models. However, DMG Consulting cautions that there are many factors that need to be considered in addition to financials.

## 4. LiveOps

**Founded:**

LiveOps was founded in 2000. In 2003 LiveOps.com merged with CallCast to form the present company, LiveOps, Inc.

**Headquarters:**

5425 Stevens Creek Blvd  
Santa Clara, CA 95051

**Website:**

[www.liveops.com](http://www.liveops.com)

**Ownership:**

Private

**Product:**

LiveOps Contact Center Cloud

**Current GA Version:**

N/A

**Current Release****Date:**

Macro releases every quarter and software upgrades weekly for product maintenance and support

**Service Delivery****Model:**

Hosted

**Production sites:**

Nevada, California

**Industry Focus:**

Financial services, insurance, healthcare, technology, travel, retail and telecommunications

**High-Level****Functionality:**

Inbound

LiveOps is a private company with over 325 employees. LiveOps is a provider of an on-demand contact center platform called Contact Center Cloud. This same solution is leveraged by LiveOps Workforce in the Cloud, a virtual on-demand call center staffed with over 20,000 independent at-home agents throughout North America. LiveOps has two hosting facilities located in New York and Nevada.

**Go-to-Market Strategy**

LiveOps is committed to “empowering contact center executives by providing the technology to cost effectively and rapidly deploy an ‘always-on’ scalable contact center solution to flexibly manage the customer experience with complete visibility and control.” While more than 90% of LiveOps’ sales are direct, the company maintains distribution partnerships with XO Communications, BT, Salesforce.com, Accenture, Element Customer Care, ListenUp Espanol, Expert Planet, String Can and Working Solutions. LiveOps primarily targets mid-size to large contact centers with 75-400+ seats in financial services, insurance, healthcare, technology, travel, retail and telecommunications verticals.

**What’s New at LiveOps:**

During the past 12 months, LiveOps has delivered the following product and usability enhancements to their on-demand contact center offering:

1. Enhanced real-time reporting – addition of standard monitoring dashboards to enable users to monitor their agent and system performance in real time.
2. Voicemail – addition of voicemail to the platform for use by agents, supervisors and customers.
3. Enhanced administration and agent interface – improved management of audio files and call flow capabilities to make it easier for administrators to change call flows.
4. Single sign-on – using Security Assertion Markup Language (SAML)
5. Cross tenant administration and reporting – provides an enterprise wide view for customers with multiple contact centers
6. Agent call panel – speed dial for frequently accessed numbers.
7. User-defined alerts – ability to set thresholds on key metrics to generate visual indicators and alerts.
8. Survey authoring environment – ability for users to create a library of prompts for conducting post call surveys.

Outbound (preview, progressive and predictive)  
Skill-based routing  
Call queuing  
Voice mail  
CTI  
IVR/call prompter  
eMail  
IM  
Chat  
Collaboration  
Surveying  
Recording  
Coaching  
Scheduling  
FAQ knowledge base

## Product Profile

LiveOps Contact Center Cloud is an integrated on-demand application suite. The offerings includes ACD, IVR, CTI, routing, reporting, real-time monitoring elements (100% recording, quality assurance, coaching, surveying, and performance management), scheduling and preview, progressive and predictive outbound dialing.

The agent interface has a phone panel for accessing calls and call control functions (hold, conference, transfer, wrap-up, etc.), or opening a chat window. Transfer capabilities include a “warm transfer” feature that allows agents to create a recorded message with details about the nature of the customer’s inquiry or problem for the transfer recipient. Agents can access a real-time summary of performance statistics including time on line, total calls, talk time, wrap-up time and average handle time.

The administration dashboard provides a variety of real-time customizable views for managing contact center and agent performance. Views are highly configurable and based on selected metrics and time frames. When creating a dashboard view, supervisors can include a mix of real-time statistics, intra-day metrics (last 30 minutes) and a cumulative snapshot of today’s performance (since midnight). Supervisors have silent monitoring capabilities for listening in on an agent’s live calls or specific call types to perform QA evaluations. Alternatively, supervisors can access recorded calls for evaluation. When the recorded call is accessed, a visualization bar displays each distinct call segment. The application has a native chat capability that supervisors can use to reach out to one or many agents. Additionally, a “message of the day” tool in the administration console can be customized to deliver a message, training material, new product material or a quiz. There is also a coaching co-op feature that allows agents to practice call handling together.

The solution provides a centralized administration environment for configuration and management of system users, agent pools, IVR, programs and campaigns, routing and queuing, and set-up of recording rules.

LiveOps has an on-demand call center scheduling application that allows the system administrator to schedule agents directly or allow them to self-schedule. In the self-scheduling mode, the administrator enters or uploads the number of agents required for each upcoming service period. Agents then log on to the system to commit to blocks of time for taking calls. The system automatically tracks agent performance in fulfilling commitments.

The reporting environment comes with over 25 standard report templates. The Web-based reporting environment exposes all data elements that are captured by the system. Users can run pre-configured reports from their desktops or create their own ad hoc reports by checking off the desired

data points. For more custom reporting, an API is published that allows users to extract data from the system for use in third-party reporting applications.

### **Multi-Tenancy**

LiveOps Contact Center Cloud supports multi-tenancy; tenants' data is stored in databases that are kept separate. Sensitive client data is stored in reports that are encrypted to the client's own individual PGP key. Multiple customers leverage the same infrastructure maintained and managed by LiveOps on their own instance. Each tenant can upgrade to a new version of the software independent of other users/clients.

### **Security**

Access to the system is role-based and controlled via log-in and password authentication. 1024-bit RSA encryption is utilized to encrypt sensitive data within the databases. Key-encrypting keys are stored separately from data-encrypting keys. Access to LiveOps's Network Operations Center (NOC) is staffed and guarded 24/7 and limited to the Operations team. Electronic badge access to NOC is logged and monitored. LiveOps maintains their own cameras in the cages, monitored via the NOC; the video is stored for 90 days. All entrances, elevators and first-floor stair accesses are card key-controlled.

### **Pricing**

LiveOps Contact Center Cloud is priced on a per-concurrent seat or pay-per-minute model. Standard list price is \$100-200 per concurrent seat, which includes ACD, IVR, CTI, routing, reporting, 100% recording, quality assurance, coaching, surveying, performance management, scheduling and outbound. Telephony network charges are additional per minute rates, depending upon the carrier and volume. Standard contacts are available on a pay-as-you-go, month-by-month, annual or multi-year basis.

### **Differentiators**

- Robust outbound capabilities for preview, predictive and progressive dialing.
- Monitoring co-op feature that allows more than one supervisor, reviewer or agent to listen to a call being handled for evaluation, coaching or training purposes. This is a benefit when training new QA specialists or supervisors, or for outsourcers listening to calls with clients.
- During the past year LiveOps has placed a significant emphasis on delivering enablement tools and features in the application to reduce or eliminate the need for professional services.

## Challenges

- The IVR provides basic voice prompting and call routing functionality. Users who want more sophisticated IVR functionality need to bring in a third-party IVR solution. (LiveOps has partnerships in this area, or users can procure their own IVR solution and integrate with LiveOps via Web services API's.)
- The solution does not yet support IP calls for at-home agents.
- The application currently does not support user-definable thresholds for alerting on metrics that exceed acceptable parameters.(This functionality is expected to be delivered in Q4 2010.)

## Future

LivesOps issues macro releases every quarter, and weekly software upgrades to deliver product maintenance and support. The next macro release is planned for Q4 2010, and is expected to include:

1. Alerting – support for user-definable thresholds for alerts on metrics that exceed acceptable parameters
2. Integrated support for chat/email – single sign-on, configuration, administration, real-time monitoring and reporting for chat/email; phase two will provide unified queue and routing
3. Outbound support – addition of progressive dialing, lead management, reporting, click-to-dial, and blended support; phase two will include predictive dialing capability
4. Screen capture – ability to actively record all agent desktop activities for each session with synchronized audio/video playback
5. Developer portal – enhanced API community tools:: documentation, forums and developer blogs, updated development tools, and refined API access controls, i.e., security, throttling
6. Social media – business tools to tie social media interactions with customer service and marketing organizations into the contact center cloud; agent routing, customer contact update, reporting and analytics

## About LiveOps

LiveOps is transforming sales and service work. The company offers innovative solutions aimed at solving technology and workforce needs for today's businesses. The LiveOps Contact Center Cloud Platform is the award-winning technology platform that enables companies to enhance their consumer experience while achieving measurable operational efficiencies.

Based on this same cloud-based platform, LiveOps offers Workforce Cloud, the largest marketplace for call center workers, uniting more than 20,000 independent agents with companies in a wide range of industries including financial, health, insurance, retail, marketing and media. The company has created an environment where work and talent are unconstrained by geographical boundaries, and the right people are engaged in the right work at the right time. The company has been recognized by business and government organizations for its technology, innovative business model and visionary leadership team. LiveOps is headquartered in Santa Clara, California. For more information visit [www.liveops.com](http://www.liveops.com).

## About DMG Consulting

DMG Consulting is the leading provider of contact center and analytics research, market analysis and consulting services. DMG's mission is to help end users build world-class, differentiated contact centers and to assist vendors in developing high-value solutions for the market. DMG devotes more than 10,000 hours annually to researching various segments of the contact center market, including vendors, solutions, technologies, best practices, and the benefits and ROI for end users. Our research covers Hosted Contact Center Infrastructure, Hosted/Managed Service IVR, Quality Management/Liability Recording (Workforce Optimization), Speech Analytics, Surveying/Enterprise Feedback Management, Text Analytics, Contact Center Performance Management, Workforce Management, and Contact Center Analytics. DMG is an independent firm that provides information and consulting services to contact center management, the financial and investment community, and vendors in the market.

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