

Key Market Trends to Watch in the Rapidly Changing Customer Engagement Market

Publication Date: April 27, 2018

Ken Landoline



Summary

In brief

The customer engagement marketplace is evolving rapidly, as the core tools for serving customers have shifted from hardware to software and are now quickly moving from premises-based to cloud systems. The ongoing transition to multichannel and omnichannel customer care from the long-lived voice channel is adding confusion regarding which channels will dominate and which will not survive. This ongoing evolution of the marketplace is being further complicated by several major developing industry trends that are occurring simultaneously, creating the perfect storm for industry change. Enterprises and vendors must make plans to move with the market or be lost in the past.

Ovum view

Cloud technology is gaining traction in the contact center because of its attractive ability to shift a capital expense to an operational expense, as well as the fact that it enables enterprises to gain access to the latest customer engagement functionality via fast, regular upgrades rather than through complete platform upgrades or total system hardware and/or software change-outs. At the same time, many enterprises face challenges in switching to the cloud from their legacy premises-based solutions. Often, moves to the cloud are delayed by the comfort and familiarity of the current solution, a desire to fully depreciate existing on-premises systems, a wish for a more gradual cloud transition, or a basic hesitancy to switch to an entirely new offering while customers are satisfied with their current solution. As a result, there will continue to be a significant opportunity for solution vendors to service and maintain premises-based and/or hybrid solutions to organizations that want the advantages of someone else managing their platform while retaining control and knowledge of the location and security of their customer data. Professional services supporting the migration and ensuring that the change-out occurs gradually and effectively, and with minimal downtime, will be essential for these contact centers in their transitions to the cloud environment over a multi-year period.

While Ovum acknowledges that channel digitization is a growing trend in the omnichannel contact center environment, we also believe that the voice channel will not disappear anytime in the near future. In fact, the consumer's preference for voice interactions will stay strong or even increase for several sub-segments of call types. Therefore, while the number of voice interactions may decrease over time, the number of voice channel minutes will likely grow because of the customer's desire to speak to an agent to handle the more technical or complex calls and for calls regarding security and other sensitive issues. Additionally, already occurring convergence of the various software applications within the contact center, including customer relationship management (CRM), interactive voice response (IVR), workforce management/workforce optimization (WFM/WFO), artificial intelligence (AI), and robotics, will result in an enhanced appetite for pre-integrated suites of solutions managed through a "single pane of glass" requirement in terms of monitoring and management.

Key messages

- The omnichannel contact center and channel digitization will not result in the death of the voice channel.

- For several economic and practical reasons, the move to the cloud will be slowed as the market works its way through a hybrid premises-based/cloud era.
- The disparate silos of customer engagement applications, including the automatic call distributor (ACD), CRM, IVR, and others, are on the track to convergence.

Despite increased digitization of customer care, the voice channel is not disappearing

Although voice interactions are in for a change, resulting in a likely decrease in the number of voice interactions focused on customer care and service, the voice channel is still the preferred choice of customers for several call types that typically require longer and more complex interactions. Ovum's survey-derived data indicates that across the major types of customer support channel scenarios, if customers knew they could get a resolution to their issues on the first attempt, many would choose a channel other than a phone call. In Figure 1, dark blue and light blue boxes denote the leading and secondary service categories in each vertical channel column, respectively. However, several more intricate and important issues such as technical product problems, service outages, billing, and fraud can be seen as outliers to the growing popularity of the newer digital channels. Just over half (51%) of customers stated that they would prefer to use a voice phone call for resolving technical issues, which was the highest preference for the telephone voice channel across all scenarios. This is most likely because these problems can be complex and are often urgent – for example, in the case of a broken phone or nonfunctioning laptop. For billing issues, 38% of respondents preferred a phone call to seek resolution, and 26% of respondents preferred the voice channel for both service outage restoration and to deal with suspected fraud issues.

Figure 1: The voice channel will retain its prominence for more complex tasks**Which channel would you prefer to use if you knew you could get a resolution on the first attempt?**

	Phone call	Email	SMS	Mail	Website	Mobile app	Live chat	Communities	Social media
Technical issue with product or device	51%	22%	6%	4%	6%	4%	7%	0%	1%
When purchasing items on the web	16%	27%	4%	4%	22%	13%	9%	3%	4%
Service outage & restoration	26%	19%	7%	8%	14%	9%	8%	5%	5%
Billing question	38%	18%	8%	6%	8%	5%	13%	1%	4%
Suspected fraud	26%	19%	5%	14%	8%	8%	8%	9%	4%
Cancellation	14%	27%	20%	15%	10%	6%	3%	2%	5%
Change a reservation	12%	21%	17%	9%	8%	16%	11%	1%	7%
Make account modifications	8%	24%	6%	18%	18%	12%	6%	0%	9%
General support questions	6%	8%	1%	0%	19%	22%	33%	4%	8%

Source: Ovum global customer survey, n = 400

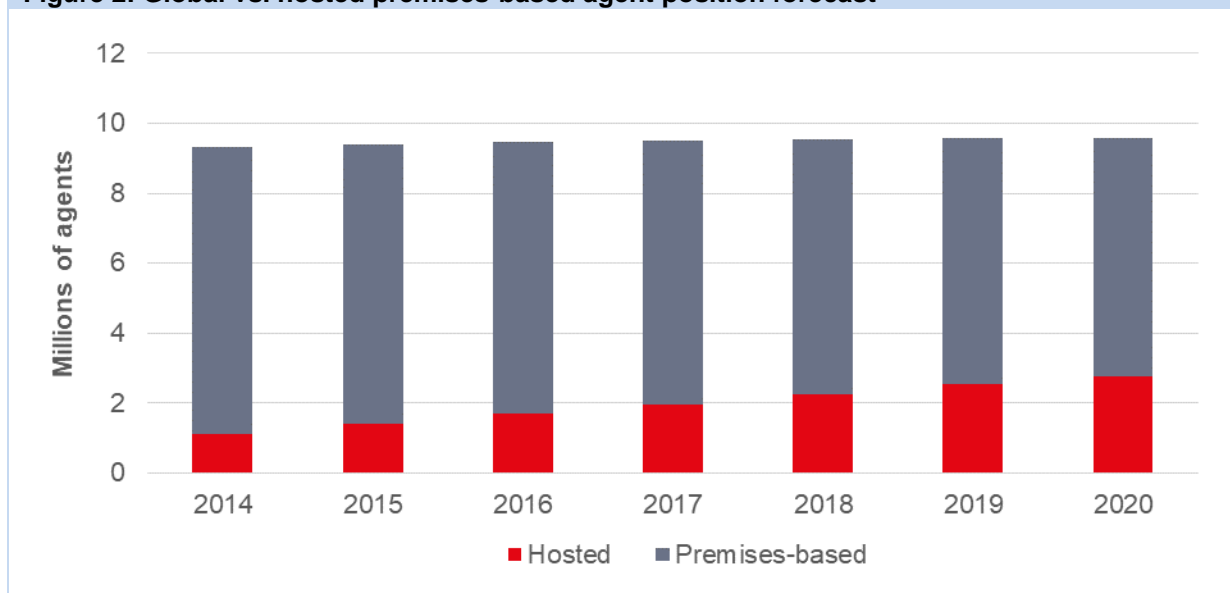
Digital channels will certainly grow over time in total number of interactions; however, we believe those interactions will consist of the more mundane inquiries and self-help interactions such as those concerning store hours, bank branch and retail store locations, password resets, and appointment cancellations, which can normally be handled quickly and very efficiently by AI-powered bots.

In addition to the voice channel's enduring popularity, live agent-assisted calls will increasingly require changes in an agent's profile and their hiring and training processes. This will result in the soon to be recognized "super agents" who earn higher salaries than today's agents and are capable of handling more complex calls. These super agents may even require professional licensing in specialty areas such as nursing, financial services, insurance, and real estate to name a few. These live agent assisted calls will also require fundamental changes in agents and their hiring and training processes, resulting in better compensated agents who are capable of handling even more complex and difficult calls. The net result of these customer engagement industry changes coming to the contact center is that as channels expand, each will likely fill a niche and they will coexist in an interdependent relationship which will prove to be mutually beneficial to the enterprise and, more importantly, the customer by providing a wide variety of channel choices to all segments of the customer base.

The move to the cloud will be stalled by the user's reluctance to move voice telephony to the cloud

The growth of cloud-based contact center solutions has been impressive, with current annual system sales rates now exceeding the 50% mark of new contact center system sales. This growth originated at the lower end of the market in terms of system size. However, the installed base of global premises-based systems, measured in agent seats, is still massive and will not be reduced to insignificant levels for many years to come, if ever. As depicted in Figure 2, a recent Ovum forecast of global agent seats estimates that at the end of 2017, hosted agent seats amounted to approximately 20.7% of total global seats, with the remaining 79.3% being premises-based. Forecasting out to the year 2020, Ovum estimates the hosted/premises-based seat ratio to be 29.0% and 71.0%, respectively. With more than 70% of total global contact center seats still being premises-based, we can venture a guess that premises-based agent seats and their contact centers will still require a good deal of attention by vendors and support personnel for several years to come. Therefore, the premises-based customer care world, or at least the hybrid era, will exist for several more years as contact center customers desiring to do so slowly transition to the cloud.

Figure 2: Global vs. hosted premises-based agent position forecast



Source: Ovum

Ovum believes that the initiatives to move large enterprise telephony solutions to the cloud will be met with some resistance due to the massive investments that have been made in premises-based telephony solutions in the past and the fact that these large investments remain on the books of these companies and, in most cases, they continue to perform well. This will tend to slow down the transition to the cloud for many corporations. Therefore, vendors of customer engagement solutions will be dealing with the hybrid (mixed premises-based and cloud-based) customer solution for most of the next decade, and solution providers must continue to service premises-based equipment and software in addition to cloud-based solutions and applications for many years into the future. This will be required for large enterprise who will be slower to make the transition to the cloud, as well as

customers who want to transition gradually via mixed premises and cloud solutions until they have a comfort level with the cloud-based technology.

A major potential area of growth that has not yet been exploited to any great extent by cloud contact center solutions is the multinational enterprise corporations. The reason for this has been that the pure cloud vendors' focus has been on North America and Western Europe as their ability to serve global accounts was being developed. Globalization is considered the next move in maintaining revenue growth and developing the ability to be global for these pure cloud vendors. As a result, those multinational enterprises with the desire to eventually move to the cloud with homogeneous global cloud offerings have been underserved by cloud vendors and will now be likely to make the move to cloud solutions very gradually, which will further extend the hybrid era in contact center evolution.

The disparate silos of customer engagement applications will begin to converge over time

It should already be evident to those who study and track the customer engagement companies and markets that a convergence between the contact center (premises-based and cloud) infrastructure and peripheral applications and providers is occurring. For example, CRM and IVR solution capabilities are being folded into the cloud contact center solution offerings. In addition, contact center agent and supervisor desktops are fighting many CRM providers' agent/supervisor desktop applications for dominance at the user desktop. It is only a matter of time before these solutions are developed, sold, and bought as one, or at minimum require a deep and strong pre-integrated partnership offering between contact center providers and other customer engagement applications providers.

Another area of convergence being affected in the customer care environment is the ongoing merging of field service with the in-house contact center operations. Long considered separate environments that are served by different sets of solutions, end-user customers and solution providers alike are realizing the synergies of combining these two worlds of technology applications. As a result, there is a growing opportunity for solution providers in one area to expand to include the other. The winners will be the companies that move the fastest via development and/or close partnering solutions to capitalize on this opportunity.

The driver of these merging applications and environments is the desire to stress vendor branding and simplify system usability through the use of a "single pane of glass" approach to customer service, by which all applications will be delivered and managed through a single screen using a merged application on the user's desktop. Ovum predicts that the silo approach to customer engagement operations will come to a close as this convergence of capabilities gains favor among end users as well as vendors. This is not a prediction of the demise of standalone ACD, CRM, IVR, WFO/WFM, AI, and bot providers, but simply a realization that tightly integrated and bundled suite applications will gradually become the preference of enterprises willing to give up some flexibility to gain simplicity, user friendliness, and an interface standard. Application providers that realize this trend, and the evolution of the customer engagement marketplace, will be the most successful going forward.

Contact center vendors and channels should be positioned to capitalize on these trends

To successfully transition from today's customer engagement environment to the very different marketplace of the future, solution providers, as well as end users, must anticipate not only the changes but also the pace of the change in order to optimize their position in the market and their ongoing operational effectiveness. They will be required to serve hybrid customer bases with legacy products while moving to the newer solutions, and will likely need to provide, maintain, and service these disparate product lines in parallel for several years to come, or risk losing their customers to others that do.

While many successful "best of breed" solutions exist today, it must be understood that there is a growing end-user penchant for consolidated suites of tightly integrated customer engagement functionality in order to simplify and lessen the cost of working with and interfacing between multitudes of disparate solutions. At a minimum, suppliers should build deep partnerships with other application suppliers and pre-build integrated solutions and interfaces to minimize the time, complexity, and cost of system implementations and management. Clearly, vendor competition will become more plentiful in the contact centers of the future.

The customer engagement battle will likely be fought at the agent/supervisor desktop for the immediate future, with applications providers trying to secure the perception of market dominance in the eyes of the end user. Once users become comfortable with the interface it will be hard to get them to change. Even if vendors do not "own" the desktop, being perceived as the vendor who makes administration easier for the end user will enable a company to attain and preserve a strong market position while increasing customer satisfaction.

Ovum believes that many are underestimating the difficulty of moving to the cloud from a premises-based environment. While the CRM vendors have paved the way for the move of the contact center to the cloud, this may only be easy and possible for those without legacy systems in place. We believe the move from legacy contact centers will prove to be more problematic and take longer to achieve. Therefore, more planning must go into serving hybrid solutions for the next five to ten years, or perhaps even longer.

Appendix

Author

Ken Landoline, Principal Analyst, Customer Engagement

ken.landoline@ovum.com

Ovum Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at consulting@ovum.com.

Copyright notice and disclaimer

The contents of this product are protected by international copyright laws, database rights and other intellectual property rights. The owner of these rights is Informa Telecoms and Media Limited, our affiliates or other third party licensors. All product and company names and logos contained within or appearing on this product are the trademarks, service marks or trading names of their respective owners, including Informa Telecoms and Media Limited. This product may not be copied, reproduced, distributed or transmitted in any form or by any means without the prior permission of Informa Telecoms and Media Limited.

Whilst reasonable efforts have been made to ensure that the information and content of this product was correct as at the date of first publication, neither Informa Telecoms and Media Limited nor any person engaged or employed by Informa Telecoms and Media Limited accepts any liability for any errors, omissions or other inaccuracies. Readers should independently verify any facts and figures as no liability can be accepted in this regard – readers assume full responsibility and risk accordingly for their use of such information and content.

Any views and/or opinions expressed in this product by individual authors or contributors are their personal views and/or opinions and do not necessarily reflect the views and/or opinions of Informa Telecoms and Media Limited.

CONTACT US

www.ovum.com

analystsupport@ovum.com

INTERNATIONAL OFFICES

Beijing

Dubai

Hong Kong

Hyderabad

Johannesburg

London

Melbourne

New York

San Francisco

Sao Paulo

Tokyo

