

Financial Benefits of using Hosted Contact Centre Technology



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1 Hosted Contact Centre Technology

Introduction to Hosted Contact Centres

Hosted contact centres are based on the Software as a Service (SaaS) business model and eliminate the need for companies to buy, implement and maintain call centre technology. Instead, in effect, the technology is outsourced to the hosting provider. This relieves the contact centre management of the technical responsibility enabling them to focus on their core business.

Hosted contact centre technology solutions offer proven cost savings and are an attractive option for a growing number of companies as they remove the need to purchase software, build infrastructure, and have IT resources to implement, support and upgrade the technology. These cost savings are driving the growth in the hosted market, which is predicted to be 50% for 2011.

Hosted contact centre solutions offer numerous financial, technical and operational advantages to businesses of all sizes. They are the most cost effective way to set-up and operate a contact centre as they involve minimal set-up costs and provide total flexibility to scale up and down in capacity as the business evolves. They deliver powerful performance (because they are telco grade solutions), and you only pay for what you use.

1.1 Financial Benefits of Hosted Contact Centre Technology

Hosted contact centre technology is 30 - 45% cheaper than premises based solutions making them the smart choice for companies looking to build call centres. Mature organisations with a detailed understanding of their costs structures have recognised this and are fuelling the drive to hosting. Below are the 6 primary factors that account for the 30 to 45% cost saving in Hosted Contact Centre environments:

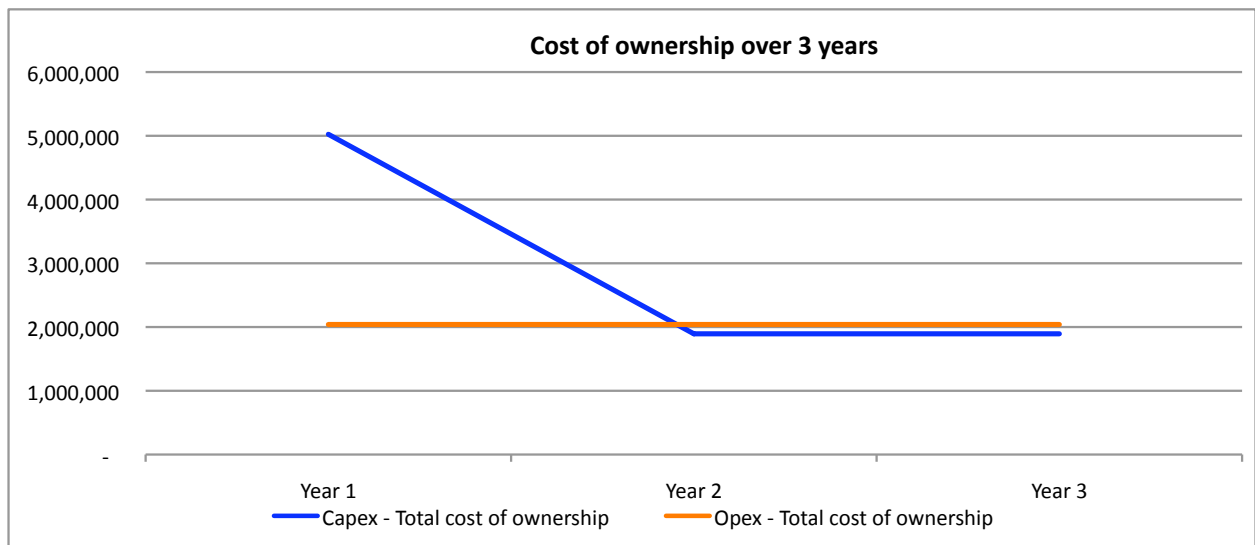
Predictable Operating Costs

With hosting there is a single monthly price per seat, which includes support, upgrades and maintenance.

With on-premises solutions an increase in calls is usually associated with an increase in costs. Unless you have extra budget, this can lead to some serious problems. These problems are eliminated in hosted environments as they use a pay-per-use model that makes budgeting and planning much simpler.

Additionally, on-premise solutions require large upfront capital outlays which then decrease over time while hosted solutions offer predictable monthly costs making planning far simpler. The graph below shows the cost of ownership over a 3-year period. As shown, on-premise solutions require significant capital at start-up, while hosted solutions provide predictable monthly costs.

Figure 1: Technology cost comparison - Operational versus Capital



Note – although capex based solutions appear marginally less expensive than hosting (opex) solutions in year 2 and 3, they require technology upgrades in year 4 or 5 that cause an additional increase in cost.

No Capital Costs

Unlike premises based solutions, there are no capital costs associated with hosted contact centres. This results in a saving, particularly on set-up where you do not incur costs for infrastructure, hardware and software.

Reduced Risk Related Costs

As experience shows from the financial crisis experienced throughout most of 2009 and 2010, businesses can be dramatically affected by changes in economic conditions. The risk does not end there; companies also have to worry about competitor activity in the market and various other factors. Change of some kind is inevitable in business and even the best business forecast can be subject to unforeseen changes. For this reason, companies buying premise-based solutions often purchase 20% overcapacity as insurance. This overcapacity is often never used resulting in waste. By going the hosted route capacity can easily be adjusted to meet demand. There is no more need to buy 20% growth capacity, just in case. If you need more capacity, simply add more. If you need less, simply use less. In this way hosted solutions can perfectly match demand and supply.

Contact centres are complex environments, when problems arise often the most talented staff are drawn into working on them. In hosted environments this does not happen as the hosting provider assumes responsibility for the technology freeing the company to focus on their core business. Companies can deploy what they need when they need it. All they need to access the system is a PC and a USB headset.

No Technology Upgrade Costs

With premises based solutions upgrades are never free, even if the new software is provided at a zero costs as part of the maintenance agreement. The upgrade will need new servers and all of the supporting software not on the contract has to be upgraded at the same time. There is also the time and cost of the technical staff required to plan, build and rollout the new release. So upgrades that are advertised as 'free' can end up costing a significant amount.

With hosted contact centre solutions the upgrade is the responsibility of the hosting company and is provided as part of the service. There are no hidden costs as customers only pay the price per seat, which includes upgrades.

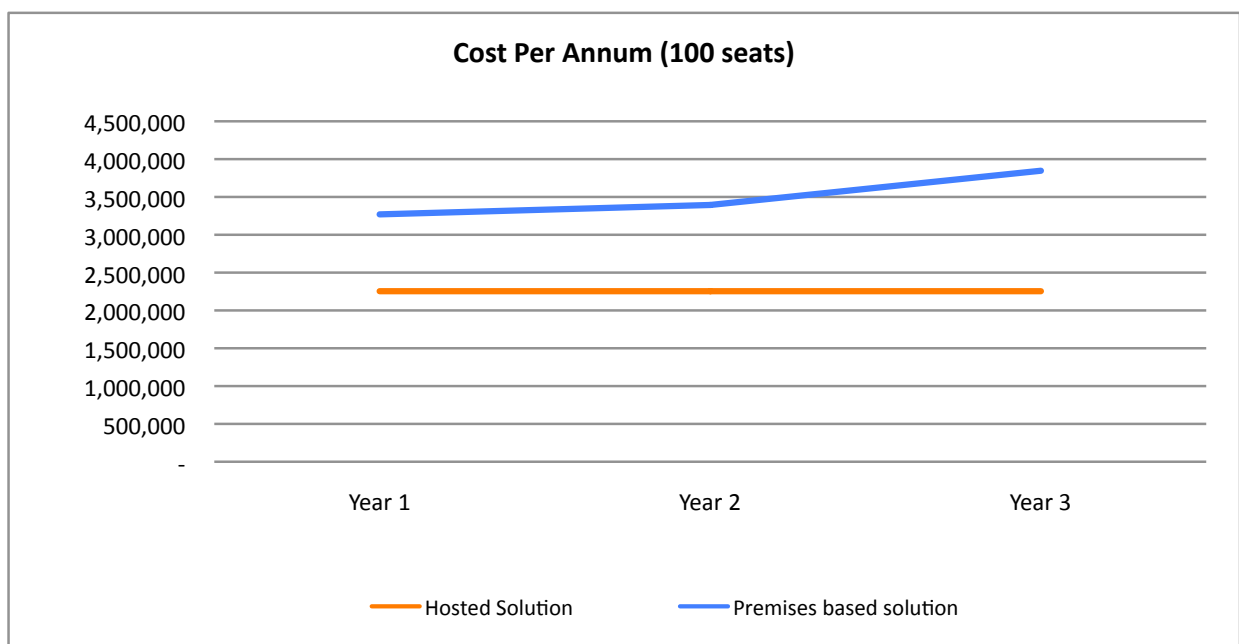
Lower Operating Costs

With on-premise solutions you always have to buy for your peak needs and hope you can cover the next 18 to 24 months. When demand drops, that capacity sits idle, costing money in maintenance and support.

With a hosted solution, you only deploy enough capacity to meet current demand, so you are no longer paying for excess capacity. If you need more seats to meet seasonal fluctuations you can add them for the time needed and remove them when the need is over.

The graph below shows the 3-year total cost of ownership for a 100 seat contact centre. As shown, the hosted solution costs less over the period.

Figure 2: 3-Year average technology total cost of ownership for 100-seat contact centre



No Technology Support Costs

Contact centre hardware and software requires highly skilled technical support staff to keep it operational. The hosting provider assumes responsibility for managing the technology and as this is done centrally they achieve significant economies of scale. These savings are passed on to customers.

1.2 Conclusion

The Yankee Group (an independent technology research and consulting firm) compared the total cost of ownership for on-premise solutions and hosted solutions. Taking into account the costs of deployment, hardware, software, installation, maintenance and ongoing support, they projected that for otherwise-identical solutions; over three years a hosted solution would provide cost savings of between 28-45%.

The numerous financial, technical and operational advantages of hosted call centre solutions have made them the preferred choice for customers looking for call centre solutions in small, medium and large-scale businesses. They are gradually taking over the on-premise based solutions due to their ability to provide efficient, cost-effective services for businesses.

About 1Stream (Pty) Ltd

1Stream is the leading and proven provider of hosted call centre technology in South African. Their award-winning platform serves customers of all sizes. 1Stream provide pay-per-use access to world-class technology. Customers profit from 1Stream's secure and reliable functionality that is fast, easy, and affordable to deploy. For more information visit www.1stream.co.za