Key Trends affecting the South African Contact Center Industry
**EXECUTIVE SUMMARY**

Gartner has said that there will be a 17% compound growth over the next 5 years for contact center adoption of hosted call center solutions, and they expect that by the end of this year, 75% of global call centers will be leveraging hosted call center solutions. The same report reveals that the Enterprise Software market is flattening at about 5% and will remain so for the next few years – another strong indicator that the Contact Center as a Service Model (CCaas) is becoming the industry standard.

Hosted call centers operate as a network-based service, whereby a service provider operates the underlying tech platform and then leases its services and features to end-users for a usage-based or monthly fee, thus lending its economy of scale and expertise to the call center. Simply put, the service provider handles the technology of the call center (including security measures, software upgrades and other functionalities) whilst the operator focuses on the day-to-day running of the call center.

The trend has clearly reached South Africa as well, with a number of hosted call center providers entering the market each year. This paper highlights the key market megatrends that will affect both hosted providers as well as contact centers.

**KEY TRENDS IN CALL CENTER INDUSTRY**

*The shifting role of in-house IT department*

Many call centers look to a small component of in-house IT staff (with restricted budgets) to oversee the management, implementation and even acquisition of their entire IT infrastructure. This has become an increasingly unmanageable model, not only due to the dearth of IT skills in South Africa, but because of the ever-changing nature of the call center industry and operating model, and has led to the increase of Managed Service Providers (MSPs) entering the market. If IT is procured as a service, rather than a product, it may ultimately lead to a reduction in costs and an improvement in quality as the hosted provider, due to economies of scale, can acquire best-of-breed software – even for smaller call centers.

Whilst IT professionals can be most resistant to this model, partially because it is seen as a threat to their existence, we would argue that hosted technology can complement existing IT efforts and run certain crucial functions – such as upgrading software or security needs – entirely, alleviating the pressure on staff and on their budgets. In short, a hosted provider will reduce the complexity that IT managers have to face. The in-house IT department is not endangered as such, but it will have to adapt to a changing marketplace.

Examining the technology typically used in a call center – such as ACD, Automated dialling, Quality assurance, workforce optimisation tools, customer relationship management tools and multimedia plugins – we find that they all have one common goal: they contribute to successful people management. Essentially, technology costs make up about 10% of the total cost of a call center – and that is usually where business owners cut their budgets. But that 10% directly affects the cost and management of staff, which account for about 70% of the budget and are 99% responsible for the success of a business.

IT needs to be a dependable enabler for call centers, who require flexibility in order to deliver and compete. They need to easily make changes, expand or even relocate. The more premise based their IT is, the harder it is to manage. Likewise, it is of no use having sophisticated technology in a business, but not the means to install, manage or optimise it.
If the IT department can partner with a provider that they trust and that will be willing to support them with reliable, accessible service delivery, it will prove to be a win-win for all parties concerned. Call center managers would ultimately spend less time worrying about technical issues and more time focused on the people that drive the success of the business.

The advent of home agents

Statistics about the estimated number of home-based agents operating from South Africa are not readily available, although anecdotal evidence places the number at about 5%. As more South African companies acquire the technology to support home-working, this figure is rising. Internationally, analyst indicators reveal that home agents are the fastest growing segment of customer contacts today (Source: Interactive Intelligence, p4, Home Agents: The Game Changer), replacing off-shoring as the number one growth segment. We also know that rapid expansion follows once companies move beyond the proof of concept and pilot phase, with up to 20% of employees working from home within a year.

Drivers for this model include:

- expanding companies that require seats but cannot afford or are not willing to invest in the acquisition of real estate;
- the pursuit and attraction of new talent;
- the reduction of operating costs (such as rent, utilities and furniture);
- carbon footprint reduction;
- studies that have shown homeworkers are more productive.

Cloud computing has meant that capital investments in this model are minimal, and that expansion/adoption is rapid. Companies are able to market their positions to a talent pool that would not otherwise consider entering the call center market, such as homemakers, disabled individuals and retired professionals, with part-time roles offering the broadest reach across the job market. This also allows call centers to make use of brief, staggered work segments at home during peak times, reducing the cost of overtime and related ramp-up costs associated with seasonal customer contact management. Added benefits include reduced shrinkage of staff, as home agents are more likely to stay in their positions and have been found to take fewer personal days.

Migration to cloud no longer driven by cost

DMG has said that cloud-based infrastructure is the fastest growing area in the call center industry, doubling between 2013 and 2015. Initially this was driven by the financial pressure from the global recession – but as the functional gap with premise-based solutions narrows, it is being seen as the most logical alternative, rather than just a viable substitute.

According to analysts, it has become apparent that call centers view hosting as a logical and efficient way to run their business, rather than a cost- or recession-busting tool. Similarly, hosting providers shouldn’t attempt to compete on cost alone. The goal should ultimately be on running a call center in a more efficient way – rather than cutting costs.

Home workers can save 17% of their take-home pay and the elimination of readying and commuting time returns, amounting to 50-60 hours per month.

Source: National Telework Coalition (2011)

1 For further reading: http://www.bizcommunity.com/Article/196/458/80665.html
Although there are many “freeware” contact center solutions available online, these often fall short as:

- they are often only manageable by the person who has installed them in the organization – if that person leaves, the IP is lost; initial downloads are free – adding new functionalities are not;
- very limited customer support is offered.

It is imperative that call centers plan for growth and change, and opt for flexible solutions that will allow for the addition of new competencies, services and users. Thus, buying a solution-in-a-box has not been found to be sustainable over the long-term. It is vital that call center operators find what is known as the cost-service equilibrium – the balance between what is affordable, and the service and support levels required to run their business optimally.

They can create a queue that includes agents in multiple centers, or allow for skills-based routing – which does not require agents to be in the same location. This means that anyone can work as call center agents, regardless of where they are based. Managers can schedule and monitor agents from any location in the world, and do so very quickly.

It’s safe to say that most of the legacy on-premise call center equipment in use today has become obsolete – simply due to the very nature of the industry. On-premise equipment represents a significant Capex investment – depending on the size of the call center, equipment alone represents an investment of millions of Rands.

A contact center that was designed and deployed a mere five years ago would not even have made provision for social media or smart devices – which means that no provision would have been made for the technology or business processes that customers are demanding, leading to frustration…and a loss of business. Living in the era of the customer experience means that customers are using search engines, social media, Wikis and forums rather than just phone and email. Moreover, customers are dictating how they want to communicate with businesses, not the other way around.

Conventional contact centers have tried to stay abreast of the changes by adding functionality, but too many add-on remedies can result in layers of complexity and solutions that are hard to manage or change. This has led to a crucial boiling point for businesses – to either stop investing in the old technology, and turn to what’s new and flexible, or to continually adapt their on-premise equipment in an attempt to keep up with the shifting marketplace. In some instances, their vendors made the decision for them with end-of-life announcements and discontinued product lines.

If the hosted service provider does not deliver what he promises in the service delivery contract, it is relatively easy to switch to a new provider who will. The switch itself is quick and painless – an on-premise solution may take up to 3 months or more to
install, modify and roll out, but graduating to the cloud takes two weeks or less. It may be oversimplifying the process, but essentially, it involves plugging into a system that has already been running successfully for years and making adjustments as required.

The expertise needed to deploy, maintain, modify and fine-tune the various components of the technology is employed behind the scenes and without user concern. Call centers still using on-premise solutions have to take a cold analytic look at all aspects of the current system. It might sting to consider the time, effort and expense that went into the current solution – but the only thing that truly matters is the future. If a company hosts the contact center, the cost of new hardware, operating, database, middleware, application and labour costs have to be factored into the equation. Then consider the trends in the marketplace – such as remote agents – as well as the need that may arise to up or downscale according to demand, as well as the cost of upgrading.

These considerations are automatically catered for by hosted providers in the cloud – and included in their fee.

25% of call center managers are still holding onto on-premise solutions – but the end is nigh.2

Modern call centers must keep evolving to keep abreast with customer trends – and the cloud can not only accommodate that, but do so at a much lower cost.

The growth of smart, mobile clients

As the first touch point for customers, call centers may be the best method of dealing with queries and complaints – but few do it well. Most companies have recognised the need to add social media to their extensive multichannel call center mix of phone, IVR, email and chat – but few have actually asked how or investigated why (beyond the arbitrary explanation that it is “popular”).

This year, a study led by Professor Janna Quinney Anderson coined a new phrase to encapsulate the new generation of consumers: Gen AO, the Always-On Generation. Born in the early 2000s, they have been influenced by connectivity and the easy, instant access to information through the Internet. They consider e-mails and advertising to be passé – in fact, many universities have stopped issuing students with email addresses because they weren’t being used. In other words, social media is not just a popular timewaster or a networking opportunity - it has actually changed user patterns to the extent that channels such as voice and e-mail may become obsolete.

Whereas directors and executives define the new objectives and strategies behind social media with enthusiasm, they often forget how crucial the people element is when introducing the challenge to staff. Supervisors have to prepare agents for the new role, coach them, and keep them motivated. Even the most prolific Facebook users will need to be trained and managed intensively during the process.

“Social media is no longer a fringe issue. It needs to be integrated into the daily workflow of contact centers and it needs to be done well. Unfortunately, it is a complex and unpredictable platform to use that should not be navigated without expertise. Companies should be sure to engage with experienced technology partners to realise their social media goals and give them the capacity to deal with their most valuable asset: the staff driving the strategy.”

2 Source: Gartner Research, 2012
To truly turn social media into a successful customer communication channel, operators need to focus on people and not on technology. The simplest way to do this is by making use of a hosted service provider who can manage issues like integration, maintenance, backups and licensing. Once operators shift their focus to training and not technology, the headaches experienced during the transitional period is lessened. It’s not to say that technology is not important – it’s crucial. But it needs to be handled by companies for whom call center technology is their core business.

One of the biggest mistakes contact centers make is to silo their center by media: having one function dealing with email, another deals with web chat, another deals with enquiries, and so forth. It’s the equivalent of tacking mismatched rooms onto an existing house: there is an extent of functionality, but ultimately a customer is faced with a disjointed and inefficient experience. Single vendor solutions created through acquisition often have the same operational integration issues – seeming attractive on paper but failing to perform.

If social media (or any multichannel offering) is to work, it has be seamless - a single contact center platform that supports holistic multi-media interaction. Calls that are followed up with an email with a click, emails that link to chat...and consistent quality across each channel.

Another false assumption that companies make is that social media is just another way of speaking to their customers, when it is actually a new way of listening to them. The ability that a product such as Salesforce gives call centers to monitor customer conversations in the realm of social media and respond to them is incredibly effective. An agent can literally view data in a sales app, answer queries made via social media, and post the answers instantly in Twitter or Facebook. This can also be fed into Net Promoter Scores. Not only is the issue resolved, it’s resolved publicly – becoming, as it were, an instant, credible testimonial.

Social media is not a one-size-fits-all solution. Venting customers or those with complex complaints and technical issues cannot be handled effectively via the platform. Agents need to know the difference between situations that can be resolved with social media, and those that can’t. They should also be able to move effortlessly from social media onto a different platform, such as chat or voice. Providing proper guidelines and training is crucial in this regard. More importantly, monitoring tools need to be in place so that customer interactions can still be captured and played back. A social media connector for your contact center management software should give you the ability to monitor conversations across a variety of platforms, alert the appropriate people and enable them to respond quickly and easily from within their main application.

Supervisors still need to be able to intrude on interactions and monitor them in real-time so that agents can be coached and quality maintained. Managers still need the ability to mine and capture data for reporting purposes. Social media, in other words, has to be treated exactly the same as voice and other traditional channels. Social media is no longer a fringe issue. It needs to be integrated into the daily workflow of contact centers and it needs to be done well. Unfortunately, it is a complex and unpredictable platform to use that should not be navigated without expertise. Companies should be sure to engage with experienced technology partners to realise their social media goals and give them the capacity to deal with their most valuable asset: the staff that are driving the strategy.

**Increased interest in South Africa as a BPO destination**

Experts say that South Africa, particularly the Western Cape, is seeing significant growth as a Business Process Outsourcing (BPO) destination. A decade ago, the general perception was that offshoring negatively impacted customer service. Now companies realise that they can enjoy the full financial benefits of running a call center in countries such as South Africa, without compromising on quality. Companies such as Capita and Serco BPO, one of the largest diversified outsourcing groups are currently in the process of building large call centers in Cape Town.

At the same time, Indian firm WNS recently acquired SA based Fusion Outsourcing, whilst UK-based
Everything Everywhere set up shop to serve their 27m-strong customer base. Large players such as Wonga.com and Amazon have already been well-established in the area.

The operating environment in South Africa makes it particularly attractive to companies that want to set up a call center off-shore. South Africa has cheap labour, skilled workers and many English-speaking professionals. It makes the country a very appealing destination. Gartner analyst Partha Iyengar also believes that offshoring is likely to create 40 000 jobs in South Africa by 2014, with 120 000 staff in the domestic insourced sector. He added that off-shore contact center jobs are expected to grow from 8 000 in 2010 to 30 000 in 2015.

South Africa is not yet synonymous with offshoring, the way that countries such as India or the Philippines are, but that may well change as cost is becoming a deterrent. It has become cheaper to rent space in downtown New York than in Mumbai’s commercial space, and companies are feeling the pinch and starting to look elsewhere.

The increase of customer-orientated legislation

The Protection of Personal Information Act (POPI) has been passed, and many South African businesses are scrambling to get their house in order and ensure that their operations are compliant with the new act – particularly with regards to their call centers. Simplistically put, the bill will change how call centers handle, transfer and use their customers’ information, and also how they obtain the information about customers that they use in their specific campaigns. POPI has meant that companies are obliged to secure their customers’ information. This means that call centers have to log, store and transfer information securely. Third party suppliers with access to customer information through the call center will also have to enter into formal, written agreements to regulate the relationship and would have to implement security measures accordingly. There are physical security measures as well as technical measures which need to be addressed. Access control, for example, is crucial. This process in its basic form will mean someone requiring access to the network, or the office through a key or tag, will formally request access. Technical security measures are actually easier to implement if you are using the right technology provider. It means that as information exists in your firm, it needs to be protected using technical means. Encryption, firewalls, antivirus, back-ups, disk encryption for mobile hard drives and devices all form part of the requirements of the act. If there is a breach of data - even if a business can hold its IT Service Provider accountable - it will still not rid the business owner of his own responsibilities and accountability under the law.

IN CONCLUSION

It is clear that the call center industry is changing rapidly. The ability to survive in highly competitive times may well be measured by the ability to adapt to the ever-changing environment. It is therefore imperative that contact center operators partner with expert technology providers that offer a consultative approach and can offer step-by-step guidance and advice during turbulent times.
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ABOUT THE AUTHORS

Bruce has over 20 years’ experience in the service industry focussing specifically on contact centers for the last 10. He has a detailed understanding of how to design, build and operate contact centers having worked in the industry in SA, Africa and abroad. He holds a Bachelor of Social Science Degree, a Masters in Business Administration and a Project Management qualification all from the University of Cape Town.

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ABOUT 1STREAM

1Stream are providers of hosted telephony for contact centers. The hosted or “software as a service” model offers affordable, pay-per-use access to world-class technology including a complete range of multi-media applications to route, record and report on any contact center activity. 1Stream also offers on-going support and consulting services which has proven to help clients extract maximum value from their technology services.

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