

2007 North American Contact Center Product of the Year Award

I. Market Overview/Key Challenges

There is little question that offshoring was the single hottest trend in the entire contact center industry from around 2000 through at least 2004. During that run, however, offshoring had gained a mixed reputation due to negative enterprise experiences, reams of bad press and significant political backlash. As a result, many companies looked for ways to bring their contact center operations back onshore. Since that backlash hit the industry, offshoring trends have shifted from an 'all-or-nothing' approach to what has come to be popularly known as 'rightshoring' or 'bestshoring'. The simple idea behind these awkward neologisms is that distinct types of customer interactions are best suited for particular locales and regions. Enterprises should attempt to segment their contact center operations to best meet these particular needs and accordingly assign the work to onshore, near-shore, and offshore treatments.

Contact center sourcing options continue to proliferate as a result of advances in technology, business needs and political factors. With increasing broadband and VoIP penetration, telecommuting agents are permeating the structure of contact centers. While still in the early stages, telecommuting—or work at home—agents could become the industry norm in the coming years. Remote and at-home agents provide numerous benefits for contact centers, including reduced seat costs, an appreciable elevation in employee morale and an accompanying rise in employee retention rates, and an expansion of the labor pool to include more qualified agents. Those agents, often located in remoter areas with scarcer employment opportunities, tend to have a higher appreciation of their job and a greater commitment to a customer-focused outlook. Across the board, this model presents companies with an appealing alternative to offshoring. It also opens up significant opportunities for enterprises looking for a framework for rationalizing customer interaction programs across multiple outsourcers, or even a mélange of multiple outsourcers and in-house efforts.

Frost & Sullivan believes that one of the key technology drivers that will make such complex, blended operations viable for a large swath of the corporate world will be hosted contact center services. Although still in the early stages of user adoption, hosted contact centers allow companies the freedom to bring their customer interactions back onshore—either through in-house, virtualized contact centers or through domestic outsourcers—at significantly lower costs. Although clearly not the only value proposition for hosted contact centers, we believe that just by changing the economics of contact center operations, hosted contact center service providers have the opportunity to massively change the customer interactions experience across the board.

This is not to say that the hosted model lacks challenges; numerous factors currently restrain any explosive growth of this model. Simple inertia ranks chief among these factors, mainly due to existing deep investments in on-premise technology.

Contact centers, understandably, see themselves as mission-critical and are therefore markedly risk-averse, especially with new technology that could create tangles in well-oiled customer interaction processes. Contact centers, particularly in the North American large enterprise market, have made significant investments in on-premise equipment, with specially-trained IT staff available for further development and support. To rip this investment out and replace it with a hosted or managed services solution warrants a strong technology and business case. Of course, this type of inertia does not apply to companies that have already delved into the outsourced customer interaction model.

As with any weighty outsourcing decision, loss of control, whether that loss is real or only perceived by the enterprises, will sit near the top of list of concerns for adopting hosted services for most contact centers. Frost & Sullivan's own published end-user surveys have documented a high level of trepidation amongst potential hosted contact center customers. Just shy of half of the respondents to a recent end-user survey listed 'Loss of Control of Applications' and almost an equal number listed 'Security' as significant concerns regarding hosted contact center solutions.

These concerns are, of course, not unfounded. Contact centers must have the capability and agility to change processes, such as routing rules, IVR scripts, provisioning and agent management, if they are to run a tight contact center ship. But for a service provider to house and manage the contact center technology, enterprises must hand over some, or even most, control to the service provider. Additionally, service providers need to demonstrate generally that system changes made by one tenant will not impact others in a multi-tenant environment. More general concerns over security and data integrity will not dissipate until these specific issues are laid to rest.

The market also had a problem with past attempts to get this model to fly. Managed service providers of various stripes began as early as the beginning of the 1990s to offer hosted call center technology using Centrex ACDs. But those solutions never gained traction, mostly due to a pretty bare cupboard of features, extremely difficult application integration and limited geographic coverage. Newer hosted contact center solutions, despite their open standards-based technology, must erase memories of those older services.

Additional, but lesser, areas of enterprise concern about the hosted model are quite similar to the concerns expressed in the early days of the software-as-a-service market. A few years ago, hosted application providers were faced with customers skeptical of their ability to provide robust integration and customization capabilities, concerns over their relative lack of experience in the largest enterprise environments, as well as fears about the robustness of any indirect reseller channel

the vendors were working to develop. On demand enterprise application services companies such as Salesforce.com, RightNow Technologies and NetSuite have, in the main, overcome such objections through a combination of technological advancement, routinely strong execution and sheer longevity. Frost & Sullivan fully expects the hosted contact center space to experience a similar lifecycle and to eventually gain acceptance in even the largest of enterprises.

II. Award Categories & Relevance

Although relatively small in actual paying subscribers today, the hosted contact center space in North America holds enormous potential for service providers, contact center and CRM technology providers, telecommunications providers and systems integration houses. This market sits as a potential boomtown for these prospective hosted service providers because the hosted model contains great promise for potential customers.

One of the most obvious drivers for customers will be a reduction of both IT maintenance and management costs afforded by the hosted model. Because a good deal of the TCO for on-premise contact center technologies comes from the ongoing maintenance, support and upgrades for that technology, removing the physical technology rapidly slashes the TCO question. This cut in TCO is compounded when staffing concerns are taken into account. When using on-premise equipment, enterprises by and large hire their own IT personnel to perform the maintenance-type jobs. These employees are required at each location or site, no matter what the actual utilization demand. Theoretically, the service provider can further slash these costs by passing on its savings from the economies of scale gained by utilizing shared resources.

By adopting the hosted model, enterprises can also leapfrog the slow process of accreting technology module by module. Because the hosted model eradicates the issues around integrating the various contact center modules, customers can simply choose which technologies they have the bandwidth and process in place to support, pay their service providers for those technologies and enjoy the benefits. While not trying to diminish the complexity of the processes required to support a full suite of contact center applications, we believe that the hosted model allows companies—especially smaller, highly price-sensitive organizations—to more easily access the full range of available contact center technologies. This advantage could also easily extend to more bleeding-edge technologies such as presence-based applications built atop SIP technology.

Lastly, customers can also take advantage of easier provisioning for multi-site centers and for remote agents, a key advantage given that the use of multi-sourcing of agents is rapidly growing. An enterprise's customer interactions can be distributed throughout multiple in-house agent centers, several outsourced contact centers, branch offices and remote or work-at-home agents. If the enterprise tries to make this unwieldy web of contact sites work using the traditional on-premise model, the

cost—in dollars and in resource diversion—of provisioning and integrating these incongruent environments could become entirely unreasonable. Because the hosted contact center model allows multiple sites and agent locations to be provisioned and managed centrally from the service provider’s facility, these concerns are greatly eased. Furthermore, enterprises require nothing beyond a computer, a Web browser and a phone line.

Because the hosted contact center space has yet to entirely coalesce, the first-mover advantage can still be claimed by innovative and inventive companies, especially those that take the hosted contact center model beyond the idea of providing the same functionality through a new delivery channel. At the same time, hosted contact center providers must stake out some product-based differentiation if they want to get a jump on what will likely be a very crowded field of service providers. From a customer perspective, the low upfront investment, instant access to cutting-edge technology and rapid results make the model difficult to ignore.

III. 2007 North American Contact Center Product of the Year Award

Award Description

The Frost & Sullivan Award for Product of the Year is presented each year to the company that has demonstrated excellence in new products and technologies within their industry. The recipient company has shown innovation by launching a broad line of emerging products and technologies.

Research Methodology

To choose a recipient of this Award, the analyst team tracks all new product launches, R&D spending, products in development, and new product features and modifications. This is accomplished through interviews with all the market participants, and extensive secondary and technology research. All new product launches and new products in development in each company are compared and evaluated based on degree of innovation and customer satisfaction. Companies are then ranked by number of new product launches and new products in development.

Measurement Criteria

In addition to the methodology describe above, there are specific criteria used to determine final competitor rankings in this industry. The recipient of this Award has excelled based on one or more of the following criteria:

- Significance of new product(s) in their industry
- Competitive advantage of new product(s) in their industry
- Product innovation in terms of unique or revolutionary technology
- Product acceptance in the marketplace
- New product value-added services provided to customers
- Number of competitors with similar product(s)

2007 North American Contact Center Product of the Year Award Award Recipient: Transera Communications

Transera Communications is the recipient of the 2007 Frost & Sullivan Contact Center Product of the Year Award. The company's pioneering and high-value Seratel hosted contact center service takes advantage of existing network infrastructure to provide a high degree of flexibility and easy deployment for all organizations across the customer interaction spectrum, including service providers, outsourcers and enterprises.

Although still a young company, Transera has a deep and concentrated history of product innovation embedded in its corporate DNA. Founded just two years ago, the company received its Series A funding from venture firms Accel Partners, Apax Partners and Storm Ventures. The young company, however, has a management team well respected across the industry. That team previously founded and ran Telera, a company acquired by Alcatel in 2002; Telera's technology was then rebranded by Alcatel to become Genesys' voice self-service platform. That deep experience in enterprise-class contact center gives Transera a maturity unusual in start-ups and has helped the company fashion a service in Seratel that breaks the mold of what hosted contact center means.

Transera's hosted solution for multi-site, multi-sourced contact centers is based on its novel technology, dubbed midpoint call management. To understand just how much innovation this technology actually represents, it would be instructive to examine the way the typical hosted contact center solution operates. These workaday solutions require the voice traffic to exit the carrier network, then get imported into the hosted environment for treatment and then get resent back to the network to be connected to an agent. To force contacts through this extremely inefficient routing requires high levels of investments in telephony technology such as media gateways, media servers and other high-cost telephony infrastructure at the actual hosting facility. This obviously increases the cost basis for every hosting provider along the service delivery chain, including the ASP, telecom service provider, outsourcer and any self-hosting enterprises.

In stark contrast with this decidedly uneconomical model, Transera's unique approach creates new cost efficiencies in the hosted contact center model by re-using existing carrier network elements. The Seratel service interfaces directly with standard network infrastructure components, including media gateways, media servers and session border controllers to obtain call signaling control. This efficient methodology is possible because of the previously-mentioned midpoint call management technology. Transera's technology intercepts calls with SIP signaling and manages the call flow through a SIP back-to-back user agent that performs necessary third party call control functions. This technique enables the separation of call flow from the actual voice stream, which remains in the network. That separation may seem simple but it facilitates a key technological division; with the voice stream

remaining in the network, the core hosted contact center applications including intelligent routing, interactive voice response, quality monitoring, reporting, etc can be completely provisioned and delivered in a multi-tenant, software-as-a-service environment.

This method of intercepting calls at the media gateway or session border controller, the Seratel service creates what Transera calls an "intelligent midpoint" between callers and customer service agents, a midpoint unconstrained by traditional boundaries of organization, technology or location. This Midpoint Call Management establishes a virtual midpoint of contact center visibility and allows a single control point to efficiently serve, route, administer, monitor, record and report on calls. Seratel can do this without any regard for the origin of the contact, the final routing destination or even for the technology utilized by the remote call center.

This Midpoint Call Management enables the other powerful Seratel contact center services. These services include Seratel's Global Queue, Global ACD and Seratel SafeNet.

Seratel Global Queue

As previously stated, Seratel has been custom designed for multi-sourced contact centers, that is centers that blend in-house contact centers with outsourcers, as well as branches and work-at-home agents. The Seratel Global Queue provides the centralized, global queue and seamless call management and distribution to make such blending possible. The Seratel service overlays any extant ACDs and interoperates with network call routers. Because of this, enterprises can rapidly and painlessly link up new sites and remote agents to the existing contact center environment without the need for any new premise-based technology. Transera's service will intelligently distribute contacts across the various global sites. When a capacity load has been reached, any further contacts are thrown to a local queue at the point of origin for the call.

Seratel Global ACD

Building on the Global Queue, the Seratel Global ACD generate a "virtual call center" capable of handling the needs of agents working from anywhere in the world. As long as the agent has a phone and a computer with a high-speed Internet connection, Seratel's Global ACD can virtualize that agent into an enterprise's contact center. From an enterprise perspective, all Indispensable contact center operations, including intelligent queuing, intelligent routing, quality monitoring, call recording and reporting are delivered on-demand. This frees enterprises up to build out a completely distributed contact center, focusing on business need and corporate goals and not on geography or organizational boundaries.

Seratel SafeNet

In order to pre-empt any customer concerns over business continuity in a mission-critical operation, Transera has created an original safety net that allows customers to rapidly recover from any service disruption—all done with no infrastructure costs. To achieve this same end, contact center service providers customarily had to build an entirely redundant contact center and the attendant telecom infrastructure using proprietary boxes and dedicated circuits, all in the name of creating some reserve service capacity. This unrealistic strategy essentially impedes customer interaction improvements because it actually creates new technology silos, as well as greater layers of operational complexity. This introduces service delays, greater capital requirements and spiraling operational costs. Conversely, the Seratel SafeNet gives enterprises the wherewithal to immediately activate a pre-provisioned contact center, as well as an assurance of high availability for crucial customer service operations.

IV. Summary of Best Practices

Channel-focus

Although the hosted contact center market has an obvious channel play, many vendors have yet to recognize that the resellers required to successfully deliver these services are not necessarily the standard partners. Transera, however, grasped the need for service provider partners with extensive VoIP experience from day one. The company has crafted a solid reseller program as a central component of its go-to-market strategy.

Transera works with service providers to unearth new business and to enable highly-profitable growth through the sales of value-added services. The company has pledged to work with its channel partners to develop customer-centric solutions that leverage Transera's and its partners' collective product offerings, core competencies, expertise, and market position, as well as to construct co-marketing programs to exploit market opportunities.

Transera has already inked reseller deals with three leading service providers: NovaTel, CommPartners and C3IP. These deals demonstrate how quickly Transera has created a global presence. NovaTel, for example, is one of the leading providers of long distance services for offshore call centers in some of the foremost outsourcing markets such as India, the Philippines and Mexico.

Use the strengths of the hosted model

Many hosted contact center providers, particularly those players whose main source of revenue come from enterprise applications, are content to simply provide straightforward contact center functionality, just delivered via a multi-tenant hosting service. While this model will meet the basic needs for many organizations,

especially the underserved SME market, it does little to set the contact center providers apart. In such situations, the hosted contact center becomes a commoditized offering that happens to be convenient to purchase from the same company that also provides some other application.

Transera, in contrast, has taken a completely different tack; a path that helps makes its service nigh on indispensable to its customers. Transera has built a platform to allow enterprises to rationalize all their customer interactions, no matter who is handling the contact and no matter where that contact is eventually routed. The Seratel service uses the hosted contact center not only as an efficient technology delivery model, but also as a tool to create new methods for improving the quality of customer interactions. And it does so using a multi-tenanted architecture that consistently leverages open standards such as SIP, VXML and SOAP, delivering a scalable, carrier-class service. For these reasons, Frost & Sullivan commends Transera for its product innovation and for pioneering a full-service hosted contact center market for multi-sourcing enterprise customers.

About Best Practices

Frost & Sullivan Best Practices Awards recognize companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service, and strategic product development. Industry analysts compare market participants and measure performance through in-depth interviews, analysis, and extensive secondary research in order to identify best practices in the industry.

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