

## *Executive Summary*

### **Top-line findings**

- Implemented carefully in an environment which supports a QoS network, the reliability of IP telephony can rival traditional circuit-switched infrastructures
- Except in greenfield environments, IP contact centre solutions are unlikely to be any cheaper to purchase overall, as the cost of network upgrades can be very substantial
- IP is an enabler, not an end in itself. As such, the decision to move to IP is likely to be a strategic choice taken at the higher levels of the business, and may focus more upon the contact centre's long-term position, rather than short-term cost savings
- Contact centres looking to implement IP must have a clear vision of what they want to achieve, and be looking to move the contact centre to a higher level. Those operations only interested in immediate cost reduction are unlikely to see the full potential benefits
- There is a lot of interest in what IP can do, but many seem to be being held back by fears about security, resilience and cost. Solution providers must do more to educate the market, show their success stories, and try to answer questions about cost vs payback
- There is unlikely to be a rush towards IP implementations. Many businesses are either trialling the technology on a small basis, or researching their options. It is unlikely that IP will become mainstream before 2005, but it seems highly probable that IP contact centre solutions will be the industry benchmark after this time
- Levels of market education are poor, especially at the senior budgetholder level, where a strategic vision needs to be present to move IP forward
- There will be little profit made from IP contact centre solutions before 2005, but long-term, this could be an extremely attractive market, although momentum is difficult to gain. Solution providers as a whole need to develop their ROI tools, reference sites and focus upon key niche markets before trying to convert the whole industry to IP.

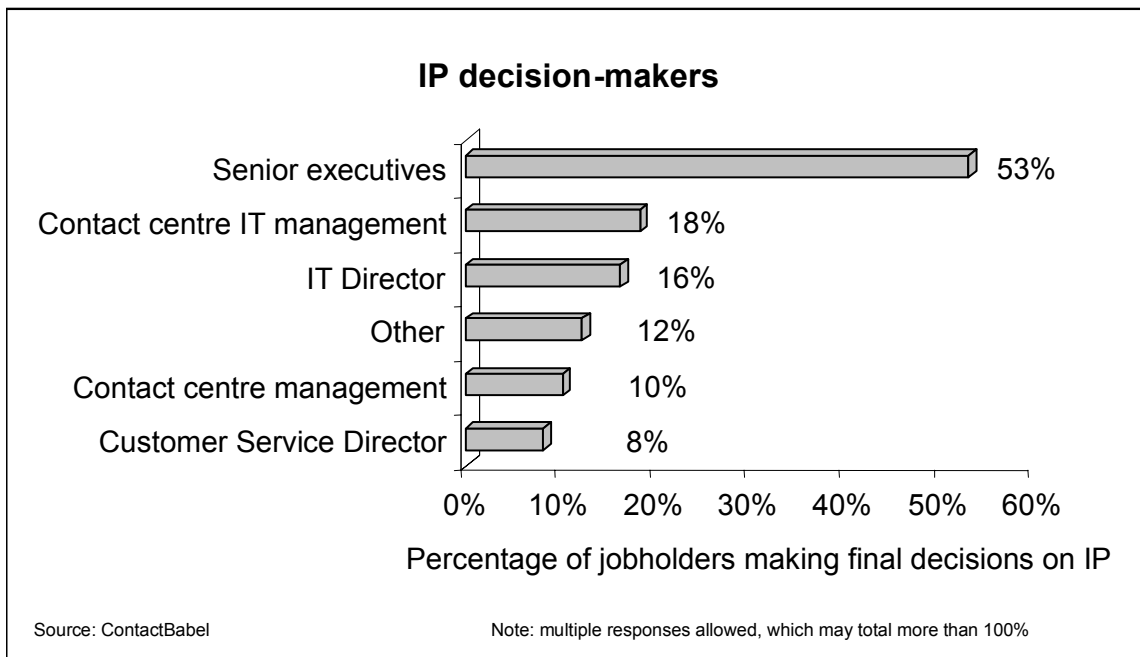
## Survey findings

A primary research programme which interviewed 114 senior UK contact centre influencers and budgetholders in leading-edge contact centres reveals that:

- 24% of respondents have either implemented IP or are running a pilot scheme
- 15% believe that they will implement at least some IP functionality within the next two years
- 29% are researching IP
- 32% have either not considered IP or have rejected it for the foreseeable future

**Note:** The survey respondents are not a random sample of the industry (which would provide too few actual implementers to comment upon), but rather are drawn from the larger, more high-profile areas. The statistics above should be considered in the context of this report only: respondents were chosen upon the basis of being leading, high-profile operations which are likely to lead the way in innovative solutions.

Of those which are running some form of IP contact centre solution, over 50% of them were swayed into purchase by demonstrable proof of return on investment. 44% were heavily influenced by the greater ease and flexibility that IP solutions promise when dealing with multimedia interactions.



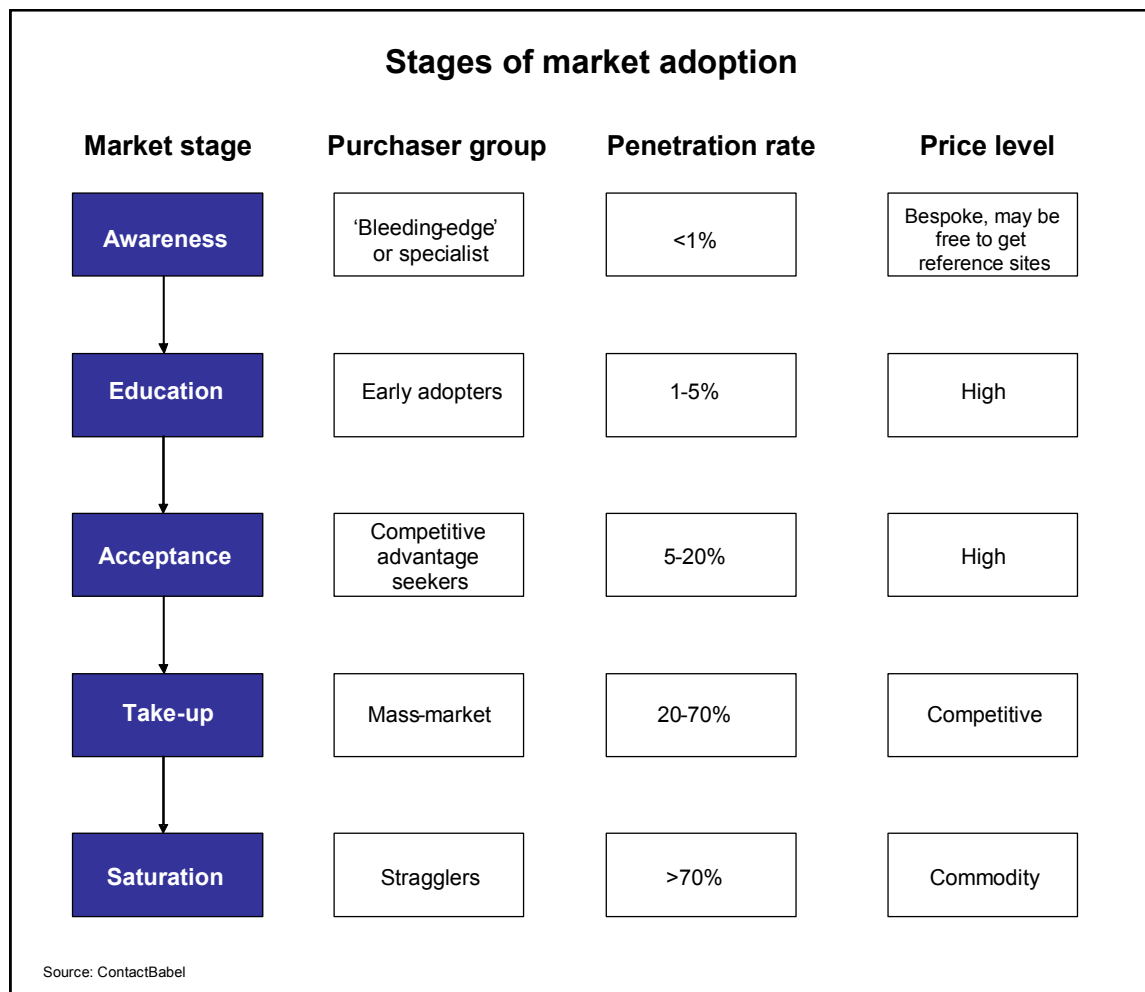
Final decision-makers tend to be senior executives, often at board-level, as IP solutions are strategic enablers, rather than cost-cutting point solutions. IP solutions can also cost considerable amounts, as network upgrades to improve the quality of service necessary to carry voice over IP can work out expensive, and require senior backing.

In fact, the cost element is seen as a major inhibitor to IP implementation by 48% of respondents, coming second only to fear of unreliability. Security fears and uncertainty as to the actual extra functionality that IP can bring to a contact centre are also very important inhibitors for the market to overcome.

### Market sizing

The IP contact centre market will grow from around 8,000 agent positions in 2003 to over 200,000 agent positions by 2007. The majority of this growth will come after 2005, when the mass market will be influenced by the large number of blue-chip reference sites and demonstrable ROI and innovative applications coming from the IP revolution.

Although greenfield sites will account for over 20% of the IP market in 2003, this will shrink to only 4% by 2007. Brownfield hybrid IP sites will make up the bulk of growth for the next 3 years, with brownfield pure IP sites coming to the fore in 2006 and beyond, as the effects of the switch technology refresh cycle comes into play.



The IP contact centre market in the UK is a slow-burner, still in the market education stage. With penetration rates running at around 3-4% of sites and around 1% of agent positions, it is the 'early adopter' purchaser group who are moving forward with IP implementations. Early adopters will pay a premium for new technologies which have already been proven in bleeding-edge sites (or where the fit of the solution's benefits is so close to what a specific business needs that it will take a substantial risk and implement it – the 'specialist' purchaser group).

ContactBabel expects the IP contact centre market to reach "acceptance" stage in the middle of 2004, and "take-up" from the beginning of 2006 onwards.

IP contact centre solution revenues will grow from £9.4m in 2003 to over £100m in 2007. The sub-50 agent position sector of the market will make up a very considerable portion of this overall market, a position which the low-end of the market has rarely been in before, which throws up a lot of questions for solution providers, many of whom have never successfully broken into this end of the industry.

### **Vendor tactics and strategies**

IP contact centres have been offered since the 1990s: the low take-up has been generally caused by two main factors:

- concern about resilience and reliability
- a lack of understanding and conviction that IP contact centre solutions are worth the money

The real advantages to IP solutions are the increase in contact centre functionality and flexibility, and repositioning for the future that it brings. IP is an enabler, and as such, is more complex for businesses to understand (especially those where finance departments hold the development budget) than a cost-cutting point solution where ROI is easier to quantify over the short-term.

In the long run, IP contact centre solutions will almost certainly become the technology enabler of choice, but suppliers will want to move the process along more quickly, rather than waiting for switches to fall apart through age before being able to pitch for the business.

Therefore, vendors should concentrate their efforts on these specific areas in order to move the industry towards a mass-market take-up as soon as possible:

- Develop reference sites
- Develop a working ROI model
- Educate influencers and budget-holders on the more strategic future aspects and possibilities of contact centres
- Focus for now upon niche areas which are more likely to take up IP



- Understand and develop the needs of the small-medium market, especially sub-50 seats
  - Create and disseminate a holistic and intelligible view of the long-term contact centre future, and provide a migration path to it
  - Efforts over the next two years should be more concerned with building a credible market rather than maximising short-term revenue and profit.
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## About ContactBabel

ContactBabel is a UK-based analysis firm focusing upon the global contact centre and CRM industries. Our main customers are contact centre and CRM solution providers, who use ContactBabel's industry expertise to investigate and understand their markets through research and analysis consultancy projects, although we are increasingly working with contact centres which wish to understand the commercial benefits of technology-led applications.

ContactBabel's objective expertise is also used to develop white papers and other market education collateral. We speak at conferences, user events and sales presentations, but always from an objective viewpoint.

ContactBabel was set up in 2000 by Steve Morrell, a leading expert on the UK contact centre and CRM industries. Formerly of Datamonitor, Steve has been widely quoted in industry journals, is a judge for the European Call Centre of the Year awards, sat on a government Steering Committee to determine how contact centres can alleviate long-term unemployment, and has written "*20:20 CRM - A Visionary Insight into Unique Customer Contact*", a book read by over 30,000 contact centre managers and directors worldwide.

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