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Spending Increases Fuel CX Transformation Projects

Cloud-based Apps Top List of Initiatives



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Executive Summary

Spending on customer engagement technologies is strong for 2023, despite tech company layoffs and an overall global economic slump. Business leaders recognize the added value technology provides when interacting with customers, analyzing the quality of those interactions, and maintaining a pool of loyal and satisfied employees. That explains why 65% of companies plan to increase their CX spending in 2023, by an average of 25%—even during an era in which only 25.9% of companies plan to increase overall business spending.

As the top technology area in which companies are increasing spending for 2023, it's key for CX leaders to direct that budget wisely. So, while fine-tuning their 2023 CX strategy, they should carefully evaluate how they're delivering their technologies to both customers and employees. One of the top areas for investment is in the contact center. Technology has improved rapidly in contact center platforms and associated applications, so projects often are (and should be) transformational. More than half of companies completed a CX transformation project in 2022—and they spanned a variety of areas, including adding cloud-based applications, improving self-service, and addressing network performance and security issues, among others.

To position their customer engagement strategy for responsiveness and flexibility, most have or are planning to move from on-premises platforms to cloud-based services, either fully or partially. Cloud services can facilitate an influx of new applications, support a hybrid workforce, and address security concerns from fraudsters trying to wreak havoc in contact centers.

Nearly 40% of companies are using or planning to use network service providers (or carriers) to deliver all or part of their Unified Communications-as-a-Service (UCaaS) or Contact Center-as-a-Service (CCaaS) platforms. They have found that carriers deliver value in areas such as network reliability, security, and cost.

CX Spending Remains Strong

Despite the uncertain global economy, spending on customer engagement technologies (including contact centers, CRM, customer loyalty apps, and any AI-based apps that automate customer interactions) remains strong for 2023. In Metrigy’s *Technology Spending Forecast 2023* research study of 400 companies, 65% said they plan to increase CX spending by an average of 25%. No other technology area, including security, WAN, computers/laptops, and collaboration, has more companies planning to increase their spending.

What’s driving such bullish behavior? The top reason for increased spending is that the technology investments reduce overall operational costs (41.9%). For example, companies that use agent assist can make each agent more efficient, reducing the number of new agents they need to hire (see Figure 1).

Another important reason for investment is customer expectations. During the past two years, customer demand for self-service and non-voice/digital channels has grown tremendously. Smart CX leaders don’t want to risk slowing that momentum (34.3%). Customers like to have options for how they can interact, and they expect continued innovation in these self-service and digital areas. Customers also wield a lot of power through social media and online ratings, according to 26.4% of research participants. They don’t want to risk cutting spending because one negative and viral customer rating can break the company.

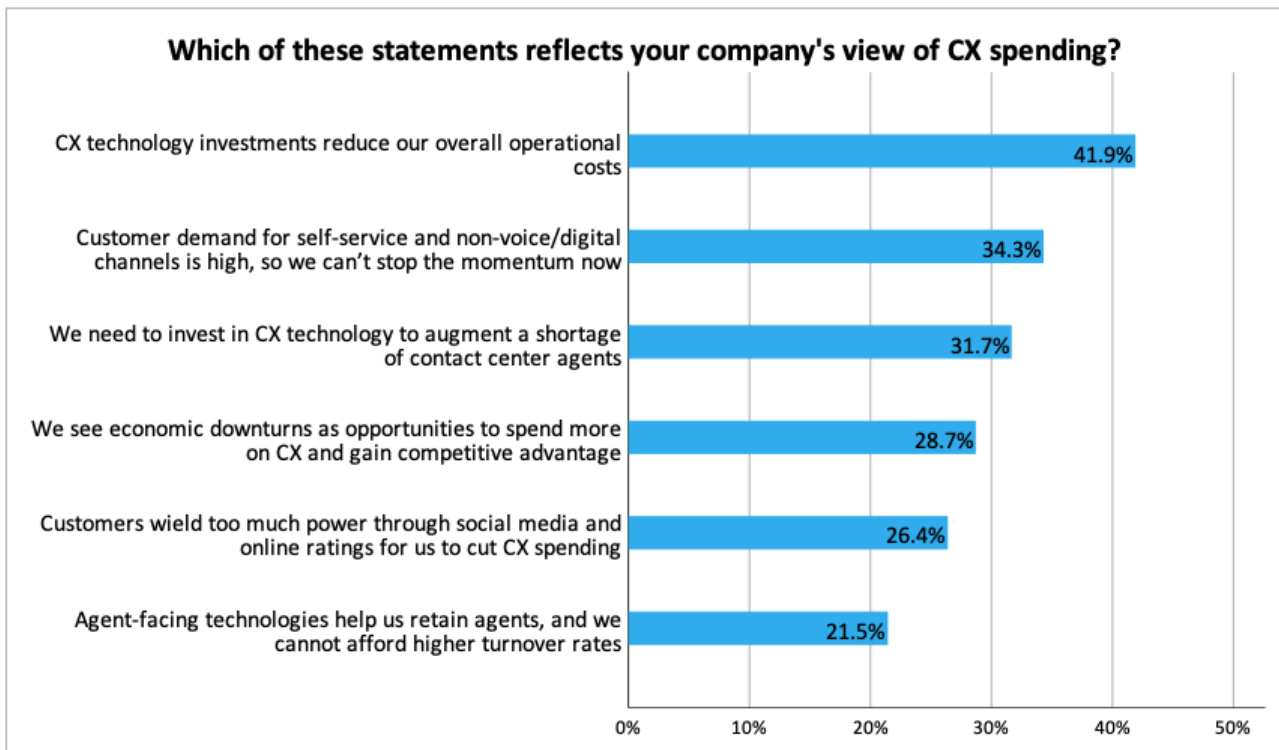


Figure 1: Which of these statements reflects your company’s view of CX spending?

CX technologies have a strong influence on agents. The technology can augment a shortage of contact center agents (31.7%), and it also can help companies retain agents (21.5%). For example, by adopting workforce optimization, employees can get regular training to improve their skills or they can use scheduling software to shift-trade, allowing more flexibility in their work-life balance.

Investment Plans

Companies are directing their CX investments toward several technologies that they typically use in the contact center. The highest percentage of companies (38.5%) plan to increase spending in workforce optimization by an average of 20.2%, underscoring the importance of keeping employees happy through technology, evaluations, training, gamification, and more. Companies also plan to increase investment in other key areas, including:

- Voice of the Customer (35.5%) – Programs to gather customer input actively or passively
- Virtual agents (31.8%) – AI-powered agents designed to deflect live agent interactions
- Agent assistance (31.4%) – AI-powered screen-pops that give agents real-time guidance
- Self-service (28.4%) – Knowledge base, chatbots that customers can use to get answers
- Voice biometrics (25.8%) – Validating identity of customers through voiceprints
- Call transcription (21.7%) – AI-powered notes and textual records of conversations
- Sentiment analysis (20.4%) – AI-powered software to detect customers' mood
- Natural Language Processing (20.1%) – AI-enabled software to interpret and take action on the content of voice or text interactions

Transformational Activity

With such strong investment in new technology, it's not surprising that 52.5% of companies completed a CX transformation initiative in 2022, according to Metrigy's *Customer Experience Transformation 2022-23* global research study of 724 companies.

Midsize companies with 250-2,500 employees are the most likely (62.2%) to have a CX transformation initiative, followed by large companies with more than 2,500 employees (60.8%), and then small companies with fewer than 250 employees (35.5%). Midsize companies tend to leverage technology to better compete with larger competitors—particularly in the customer experience space. Contact center platforms, customer loyalty apps, or AI-based assistance can make a smaller company appear much larger to its customer base.

CX transformation initiatives are plentiful, ranging from cloud-based applications to self-service to network improvements. Companies also transform their



analytics capabilities, the way they handle fraud, and the ability to integrate contact center with other applications (see Figure 2).

Companies have been moving their contact center platforms to the cloud for several years now, but we're seeing growth in adding new cloud-based applications (41.5%) that integrate with a CCaaS platform or ride over the top of on-premises platforms. Since the start of the global pandemic, companies have been running CX transformation initiatives to improve the network, either by establishing high-performance work-from-home capabilities for agents (34.4%), or by adding management tools to improve voice, video, or network performance (27.8%). Performance becomes even more important as companies integrate their contact center with other applications (30.7%), including collaboration, CRM, visual engagement, and more.

Analytics are also important to the transformation projects. By transforming the company to understand the value of data and analytics, they can make better and more accurate decisions about sales and marketing strategies, technologies in use, and operational processes because they have feedback from customers (28%), as well as analysis on agent performance (32.9%).

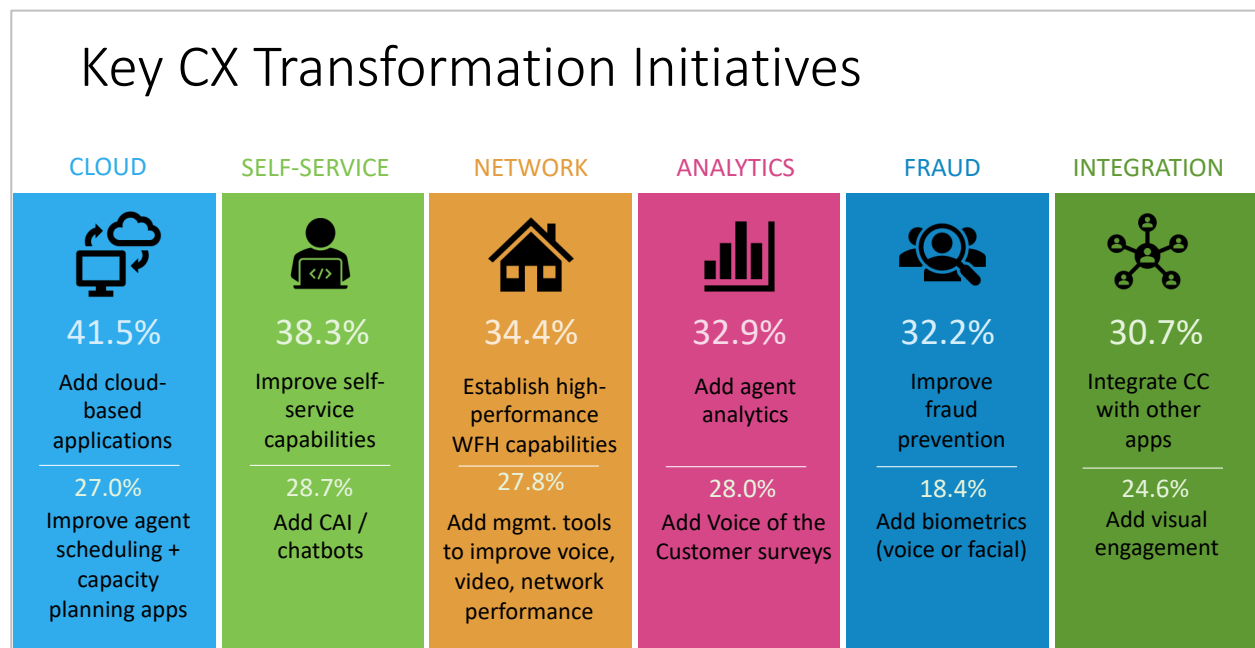


Figure 2: Key CX Transformation Initiatives

Contact Center Architecture Trends

Metrigy's 2023 *Customer Experience MetriCast* global study shows 50.5% of 1,531 participating organizations use cloud contact center architecture, either CCaaS (multi-tenant, subscription-based service) or hosted/managed (custom-built, single-server hosted and managed by third party). Another 42.3% use on-premises platforms, whereby they own and manage the platform, but some choose to host their servers off-site in the cloud (see Figure 3).

Those that still have on-premises platforms typically aren't moving to the cloud anytime soon because their contact centers are very large and highly customized. They may move to a hybrid environment, where remote locations are connected via cloud, or they are likely to add cloud-based apps over the top of their on-premises platform, as stated previously.

Among the 48.2% changing, planning to change, or evaluating a change in providers, 14.1% say they are changing from cloud back to on-premises, and 28.4% say they plan to move from on-premises to the cloud. The biggest drivers for returning to on-prem? Security and reliability. Interestingly, those are the top reasons companies opt to use a network service provider for their CCaaS platforms.

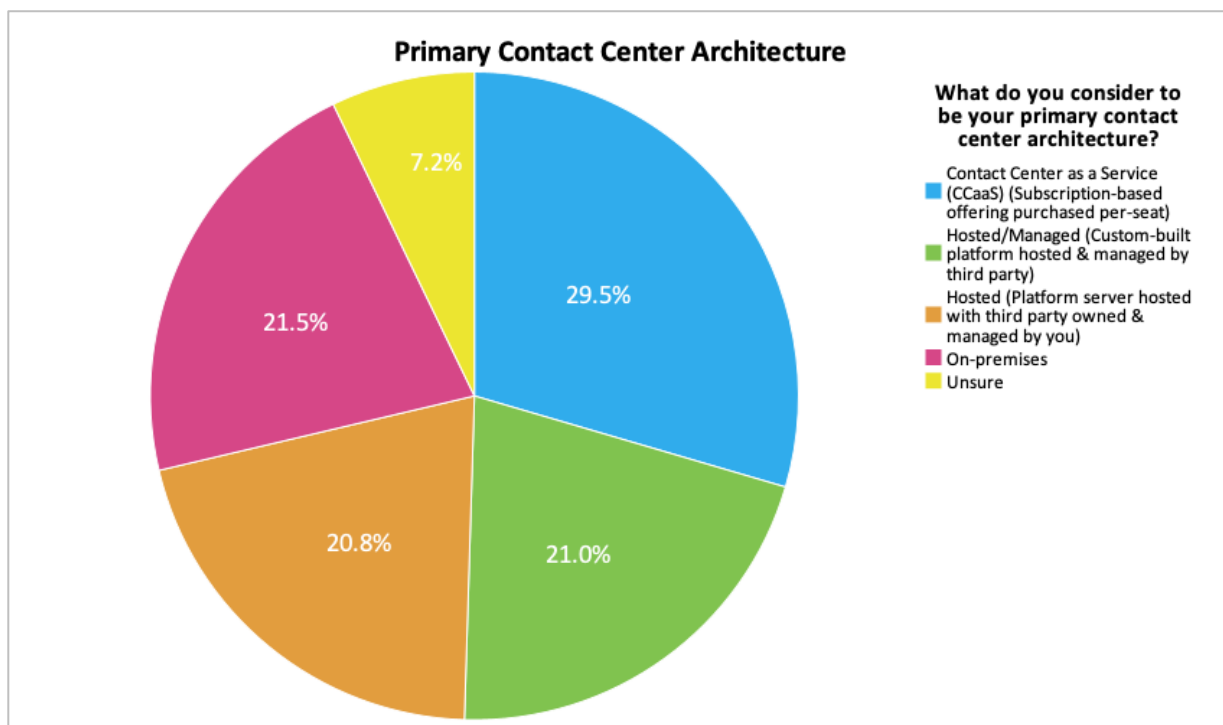


Figure 3: Primary Contact Center Architecture

The Role of Carriers for CCaaS and UCaaS

Nearly 40% of companies are using or plan to use a network service provider, or carrier, for UCaaS, CCaaS, or both (see Figure 4 on the following page). The top reasons include:

- Better network performance (48.1%) – Redundancy built into carrier networks is unsurpassed, so metrics such as uptime and packet delay can be impressive
- Professional services (44.2%) – To address implementation, training, and security issues
- Lower costs (42.8%) – This is particularly true when companies have Minimum Annual Revenue Commitments with their providers. They are able to bundle the CCaaS service with other WAN, security, and collaboration services to get attractive pricing

- Security capabilities built into the network layer (41.3%) – Carriers can address issues such as DDoS or fraudulent callers in the network before they have a chance to affect the contact center
- Single point of contact (28.4%) – This reason is somewhat understated. When organizations are using different UC and contact center providers, it saves time to have a single point of contact for both services. What’s more, if they decide to switch UC or contact center platforms for another that is supported by their provider, they simply tell their contact and don’t have to deal with difficult conversations with the underlying as-a-service platform provider

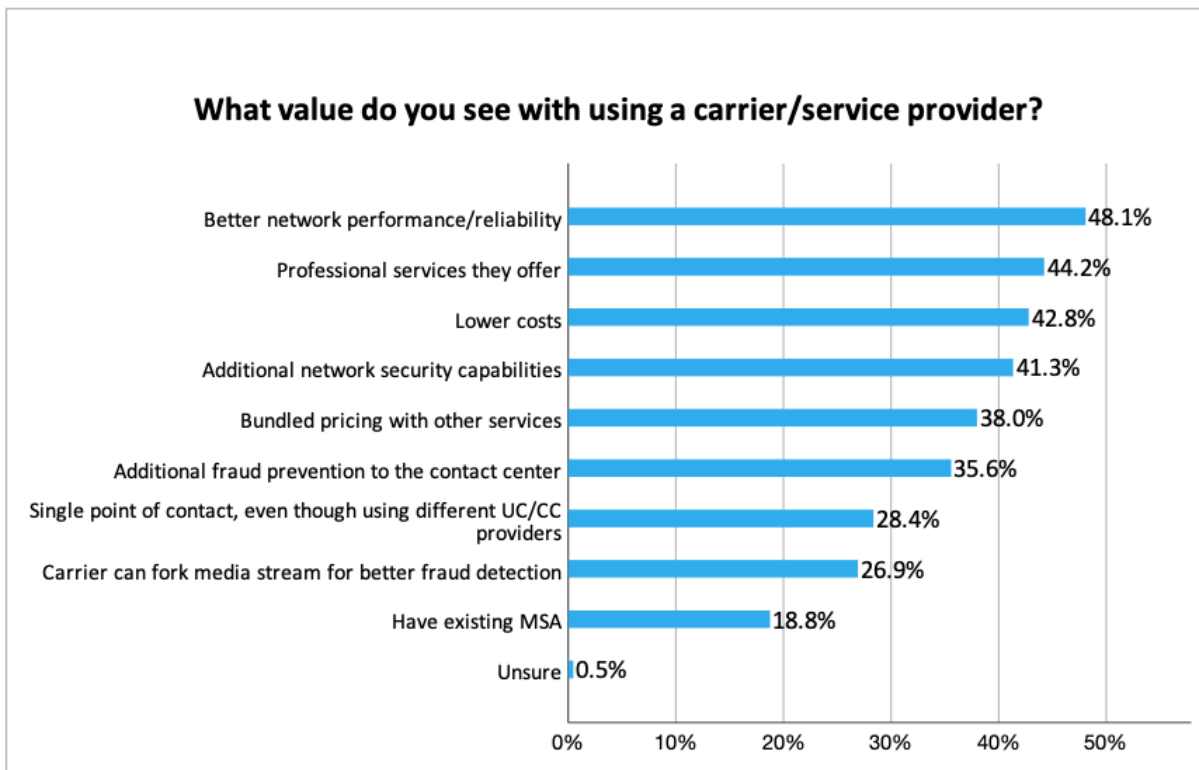


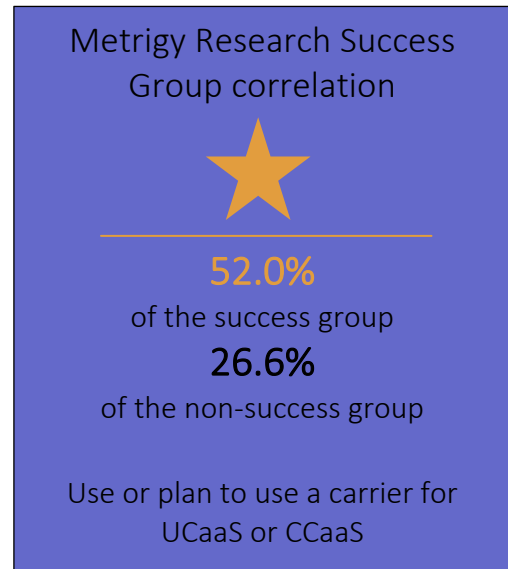
Figure 4: What value do you see with using a carrier/service provider?

Research Success Group

Those using or planning to use carriers have their own opinions or reasons for that decision. But even more compelling is hard data that shows value in using them. Metrigy's research success group is almost twice as likely as the non-success group to use a carrier for UCaaS or CCaaS.

The research success group includes those that documented higher-than-average business success metrics (revenue, operational costs, customer ratings, and employee efficiency) when using advanced CX technologies.

We also see a small correlation among those that documented higher-than-average success metrics after integrating UCaaS and CCaaS. The success group is 4.2% more likely use a carrier for that integration than to go directly to a platform provider(s).



Contact Center Security and Fraud Prevention

Security and fraud prevention are extremely crucial issues to address in the contact center, and not surprisingly, network service providers are well-positioned to address them. Voice fraud is extremely or somewhat important to 65.1% of research participants' overall security strategy, with the annual expenditure costing companies an average of \$593,587 (for small companies, the figure is \$19,056, and for large companies it reaches an average of \$1.2 million).

Network service providers can detect and stop many methods of fraud in the network before they reach the customers' contact center. They also have professional services teams with deep expertise in security; many CX leaders rely on them to help develop and improve the security strategy. Organizations are addressing several types of contact center fraud, including the following:

- Robocalls – Auto-dialer delivers recorded messages, sometimes opening the door to financial fraud
- Spoofing – Apps manipulate phone networks to call someone from erroneous numbers
- Hacked PBX – Weak password security enables access to PBX; fraudsters make calls (typically international) and never have to pay the bill
- Toll fraud – Any method of generating revenue through fraudulently collecting toll-free revenue
- Social engineering – Impersonation of banker, tech support, police officer, etc., to get person to wire money, provide credit card, download software

- DDoS/TDoS – Automatic dialer targets phone number(s) repeatedly so service is flooded with malicious calls. This prevents delivery of real calls
- Unregistered agents – Typically from home/remote offices, unregistered agents use desktop and apps of legitimate agent to steal credit card numbers or hack into customer accounts

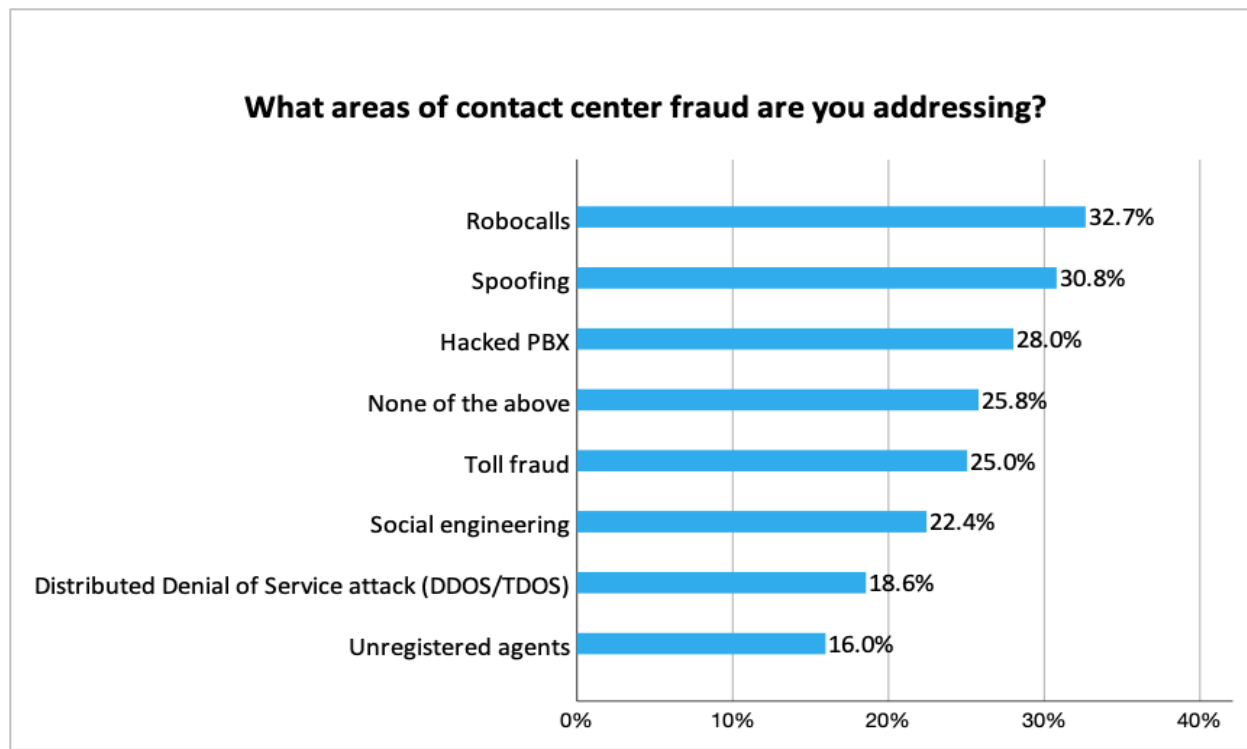


Figure 5: What areas of contact center fraud are you addressing?

Conclusions and Recommendations

Companies are investing in customer engagement technologies. Those that are not investing in CX are putting their companies at a competitive disadvantage. Consider the following recommendations for your 2023 CX strategy:

1. Spending is often targeted at CX transformational projects. Select one issue at a time and use technology to solve a problem or address an opportunity. It's crucial to make sure the foundation—network and security—is strong before adding new channels, AI, automation, or analytics.
2. Most companies are moving their contact centers to the cloud because of the flexibility it affords, though some maintain benefits with on-premises or hybrid architectures. It's vital to evaluate which makes sense for your organization. Even if you continue with the core platform or certain locations on-premises, it's faster and easier to add cloud-based applications over the top.
3. Security is vital in any solid CX strategy, and the contact center is ground zero for bad actors. There are multiple ways they can commit fraudulent acts. Make sure you have a

solid security and fraud prevention strategy in place with a well-positioned partner. Network service providers can hedge against many types of fraud in the network. Keep in mind that the types of fraud are ever-changing, so make sure your partner is out in front of them to keep your contact center safe.

4. Evaluate working with carriers for CCaaS. CX leaders in our research saw solid benefits when carriers are their primary relationship for cloud-based services, even though the platform may come from a different provider. The carriers have tight integrations and partnerships with CCaaS platform providers—but they can add value on the network, security, and bundled pricing sides.

ABOUT METRIGY: Metrigy is an innovative research firm focusing on the rapidly changing areas of Unified Communications & Collaboration (UCC), digital workplace, digital transformation, and Customer Experience (CX)/contact center/CRM—along with several related technologies. Metrigy delivers strategic guidance and informative content, backed by primary research metrics and analysis, for technology providers and enterprise organizations.