

BY DAVE DITMARS

# Contact Centers Benefit From the Next Service Trend:

# Software-as-a-Service

**T**remendous technology advances from the past century make it possible for today's companies to enter a new era where they spend, on average, less than half of their operating funds on manufacturing.<sup>1</sup> Improving the efficiency and effectiveness of business' 'softer side'— customer service, marketing, product research, and sales — is now in the foreground as companies apply their success strategies. Focus is on customer satisfaction, product quality, and using information technology to build better operations.

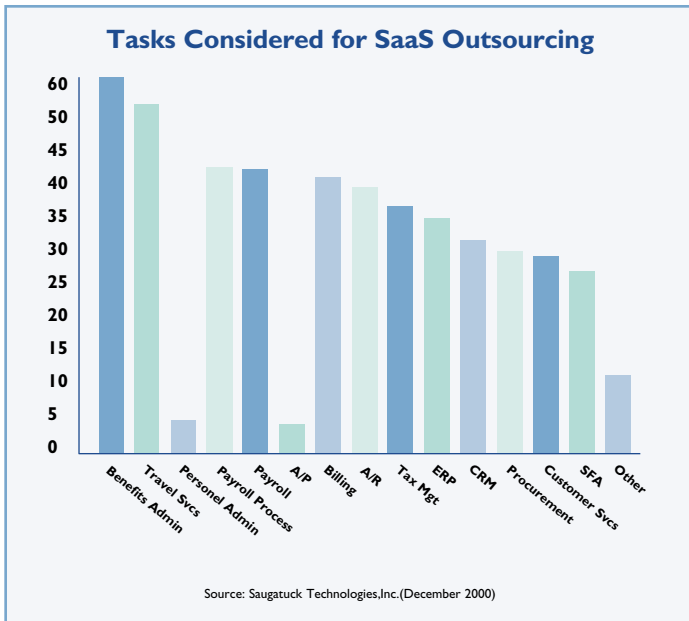
Because consumer contact centers gather the consumer's response to their companies' products and services, they benefit from IT solutions that give them more efficiency and effectiveness. Expert software vendors now offer turnkey application services by subscription, similar to the pay-as-you-go model of long-distance telephone and electricity. Centers consume the service as needed—on demand—to meet their fluctuating activity volume. Software-as-a-service, or SaaS, is becoming common parlance.

## SaaS Simplifies Operations

An online application service is like a traditional utility—a commodity delivered as needed through standard outlets.<sup>2</sup> To operate our laptop PCs and coffee makers we plug them into electricity outlets. Similarly, we can view online customer relationship management (CRM) services as utilities. For example, Salesforce.com provides sales force automation to over 10,000 customers (some 200,000 end-users) as an online subscription.<sup>3</sup> SaaS vendors supply their application services through the Internet via a Web browser.<sup>4</sup>

SaaS providers embraced the utility model in recent years to provide efficiencies that reduce their customers' operating costs. While company procedures may still require some tailoring and customizing to meet unique requirements, with SaaS, tailoring it can be at lower cost than with licensed software. Total cost of ownership with SaaS is significantly less than the same licensed application.

The chart below shows survey results of 286 companies who have considered outsourcing operating tasks to SaaS providers.



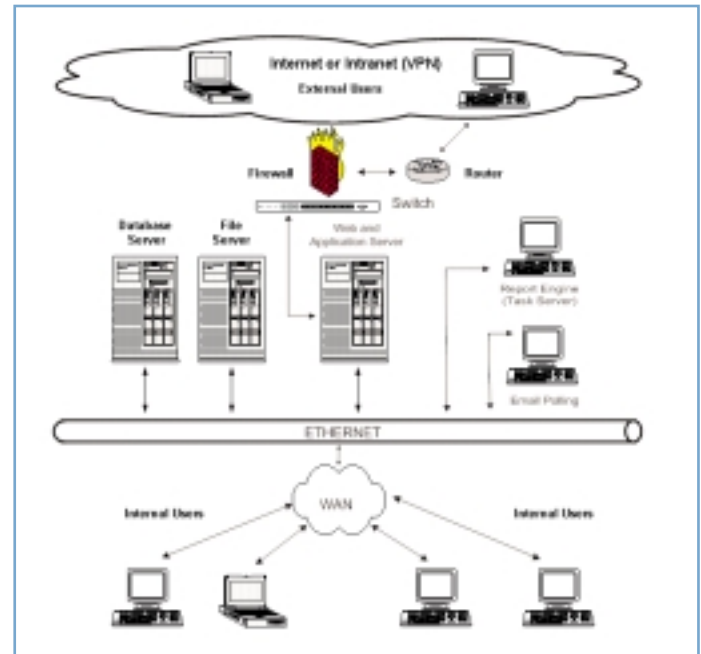
AMI-Partners, Inc., an IT market specialist, observes that subscribing to SaaS applications yields these advantages:

1. Service evaluation is easier: No software purchase necessary.
2. Financial risk is less: No investment is required. Fees are predictable.
3. Service is available quickly: Staff can be performing online in weeks.
4. Service delivery via the Internet eliminates initial set-up effort.
5. Many users provide feedback for enhancements that are included in the service.
6. Performance, security, and support are highly reliable.

Consumer affairs departments who subscribe to online CRM services can also integrate multiple added-value options—email, demographic and item locator services, and call recording—to operate even more effectively and improve customer satisfaction. Moreover, since online CRM services include ongoing training, assistance, and maintenance, departments can more independently resolve any IT-related issues. The online service providers develop, support, enhance, and host the applications in highly secure facilities.

Using an online service not only reduces investment and risk (no additional networked system or software is needed), but it also enables timely streamlining of operating processes that can generate incremental productivity gains immediately. SaaS is available quickly—front-line agents, working through a Web browser, train and perform in weeks. Since SaaS is always “on” like electricity, agents can, if permitted, perform their tasks from anywhere 24/7.

Enterprises with widely dispersed and international sites see benefit from this service ubiquity. The diagram below illustrates a typical infrastructure configuration for a company using an online service, hosted by the SaaS provider.



## SaaS Offers More Control and Efficiency

Consider these two sample cases of consumer products companies who are benefiting from the online SaaS trend.

### Packaged Foods Producer Goes Online

Using an online CRM with integrated email, consumer demographics and item locator services, the consumer contact center of a packaged foods manufacturer responds to consumers who purchase its products sold through national distributors, international co-branders, and an online shopping website. To manage its operating costs better, the firm has contracted with a service bureau with trained agents to respond to consumer contacts.

As the agents reply to consumer inquiries, they draw from a library of prepared electronic letters and personalize their response to each contact. Depending on the issue, agents reply by telephone, email, and letter, enclosing a check or coupon if appropriate. The center manager still handles sensitive issues, responding with remedies from legal or insurance services, as needed. The agents respond to inquiries so efficiently that the firm is adding product ingredients and customer service departments to the online program.

The online CRM runs very fast compared to a bogged down in-house system. “We are extremely happy with our online service,” reports the center manager, who quickly points out that the service yields an indirect benefit in freeing scarce IT resources for other departments. The

manager reports the online item locator service is a “life saver” that returns its value daily in satisfying customer demand for finding the firm’s products in nearby stores. Monthly reports guide quality teams, who analyze consumer response for their performance scorecards. Corporate and marketing staffs review verbatim reports that analyze consumer reaction to product features, packaging, and promotions.

### Household Goods Manufacturer Sells Worldwide

English is this firm’s international business language, but its consumer affairs agents respond to contacts in their native languages, using country-specific product names and descriptions. Having the firm’s multinational product information resources available online requires high performance. For queries and report generation, reliable high speed is essential for operating the CRM database effectively. Connections between the firm’s worldwide centers are required to meet a 70-100-millisecond response standard.

The firm’s master catalog aligns multinational products in unified hierarchies, indexed by location and subject. Production codes match shipment information for correct reporting. The CRM maintains thousands of products and links to product reference documents for quick agent retrieval. The firm protects its proprietary product knowledge base in a secure location to minimize risk of loss of access, or loss of information.

Half of this consumer affairs center’s contacts relate to product characteristics, performance, and marketing. The rest are requests for item location, satisfaction testimonials, and questions about packaging and handling. Agents draw from prepared electronic letters and paragraphs to compose personal responses. Depending on the response, agents may enclose coupons or a check with reply letters. The integrated email processing is very productive, applying rules as it scans messages for keywords and then sorts them in priority queues waiting for agents to respond. The online CRM’s intelligent triage queues emails in arrival date-time order. Agents respond to routine inquiries, and the center supervisors handle any sensitive matters.

This center’s front-line position enables it to use the online CRM to conduct market surveys quickly and easily, before and after product introductions. Multiple surveys may run concurrently from weeks to months. Decision support staff analyze the surveys. The center performs annual customer satisfaction surveys as well, and marketing and quality staff study the results to glean insights for improving product characteristics, packaging, and marketing. The online intelligence gathering capabilities of the CRM system enable agents to survey contacts during their live sessions, as well as via email and Web form. The center is valued enterprise-wide for this timely consumer feedback.

As they respond to inquiries, the agents refer to instructions and illustrations linked to the online CRM and some-

times record their calls for verbatim reporting. The center is adding telephony tools to better measure agent performance, as well as Web chat and advanced email-handling functions to improve customer satisfaction. The SaaS provider includes service upgrades and enhancements automatically. The center manager declares that deploying the online CRM was “one of the smartest things we have done.”

To integrate consumer response data with other departments’ data, the center exports it to the firm’s enterprise system. The center produces hundreds of reports daily and posts weekly and monthly reports to the firm’s intranet for corporate, legal, marketing, manufacturing, quality, sales, and safety staff. The CRM’s data repository feeds the enterprise with fresh consumer intelligence that corporate, marketing, and quality staff digests. Both established and new product consumer response provide R&D, manufacturing, and sales staff with perceptions of product characteristics, packaging, and marketing.

### Meeting the Challenge of Outsourcing

Before outsourcing a contact center’s operations, management should undertake several considerations to ensure the change is successful. While the promise of cost containment and total reduction from outsourcing is a powerful motivator, the managers remain accountable for the activity, regardless of who performs the tasks. They need to carefully plan the change and carefully select the outsource vendors with whom they develop close partnerships. Plans for transition involve migrating consumer contact data from a current system to the new SaaS-hosted system. The new system needs to be able to integrate with the firm’s enterprise systems for initial data transfer and ongoing integration requirements, such as enterprise reporting. The data must flow efficiently into and out of the enterprise system.

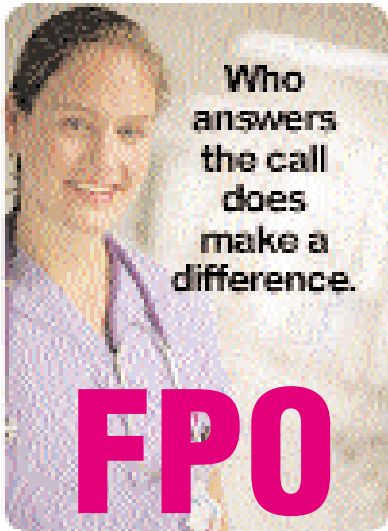
Outsourcing has an impact on staff. They may fear possible job loss, reduction in sphere of control, and loss of budget. Communicate the logic that employing outside services will create a more efficient and valuable operation. The goal of outsourcing is to delegate functions while maintaining responsibility for them and working closely with the outsourcer to achieve the desired and necessary efficiencies. The company retains control, through the online SaaS provider and possibly a service bureau as well. The contact center defines the database structure and business logic and rules, and it maintains the product knowledge base content, as well as provides ongoing training to the outsourced agents. The contact center works with its in-house clients to determine what consumer information they need, in what report formats, on what schedules.

The online CRM service’s specific functions, features, performance, support, and recovery capabilities are essential elements that will have an impact on the success of consumer affairs contact centers’ operations. Diligently examining and mentoring the outsource suppliers to determine their longevity and stability is critical to preclude mistakes and to

## Software-as-a-Service Providers

COMPANY	SERVICE	OFFERING
<b>CRM (CUSTOMER RELATIONSHIP MANAGEMENT)</b>		
ACCPAC International Inc.	ACCPACcrm.com Enterprise	Sales-force and customer care automation, marketing automation, Microsoft Outlook integration.
Avidian Technologies LLC	Prophet 2004	Contact management, sales data tracking, reporting, Microsoft integration.
Salesforce.com, Inc.	Salesforce CRM Team, Professional, and Enterprise editions	Sales force and marketing automation, CRM analytics, compound document management, custom applications, many customer integration options, security.
Salesnet	Salesnet Express, Standard, and Extended editions	Account, task, and contact organization; process management for mobile client.
Siebel Systems, Inc.	Siebel CRM OnDemand	Hosted solution for unifying, tracking, and managing customers.
<b>ACCOUNTING, BENEFITS, BILLING, ERP, HR, PAYROLL, TAX MANAGEMENT, TRAVEL</b>		
Automatic Data Processing Inc.	eXpert Services suite	Includes Pay eXpert, Human Resources eXpert, Benefits eXpert.
Ceridian Corporation	Ceridian	Payroll, expense manager, tax service, HR and benefits and legislative compliance, staffing.
Concur Technologies, Inc.	Concur Expense and Payment solutions	Travel and entertainment expense reports, billing automation.
Employeese Inc.	Employeese.	HR, benefits, payroll management.
Ketera Technologies, Inc.	Ketera Spend Management	Web-based contract and spending management, analysis.
NetSuite Inc.	NetSuite (Includes NetCRM, NetERP)	Financial management, order fulfillment, purchasing, inventory presence, payroll.
Paychex, Inc.	Paychex Business Solutions, Paychex Administrative Services	Payroll processing, employee benefits, human resources management.
Perfect Commerce Inc.	PerfectProcure, Procurement Manager	Purchase-to-pay solutions designed to eliminate paper.
Xign Corporation	Xign Payment Services Network (XPSN)	Order-to-payment cycle automation, electronic order delivery processing, and payment service for B2B.
<b>BUSINESS ANALYTICS</b>		
BMC Software Inc.	SmartDBA solutions	Database management.
Keyline Software Inc.	LimeLight, LimeCommerce, LimeExtract	Site user behavior analysis and reports, campaign and sales, business intelligence integration.
Mercury Interactive Corporation	Mercury application management analytics	Interactive reports and analysis capabilities.
SAS Institute Inc.	SAS 9 (Includes SAS Intelligence Platform)	Business reporting and analytics.
WebSideStory Inc.	HBX On Demand Web Analysis	Site visitor intelligence and reporting.
<b>MANAGED SECURITY</b>		
Symantec Corporation	Symantec managed security service	Threat analysis; regulatory compliance, tiered levels of security including firewall, intrusion detection, security appliances, vulnerability assessment, and virus protection.
MessageLabs 2004 Inc.	MessageLabs e-mail security system	Antispam and antivirus, email filtering, configuration tools.
Verisign Inc.	Verisign managed security services	Firewall, intrusion detection, vulnerability analysis, VPN, and accident response, and forensics.
Counterpane Internet Security Inc.	Managed security services	Small client installed inside network collects data and Counterpane engine assesses vulnerabilities.
TruSecure Corporation	TruSecure managed security	Firewall, email, intrusion detection, network monitoring.

Source: PC Magazine (October 2004)



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minimize risk of being stranded, should suppliers become insolvent. In that case, provision for retaining center data is important. Selected suppliers should demonstrate history of stable operation in providing the services at desired standards. The centers' agreements for these services need to guarantee high levels of reliability, security, and data integrity. Be sure to require articulation of renewal terms before service begins.

### Demand for SaaS is Growing

Industry trend analysts agree that SaaS is a vehicle to gain sustainable advantages. Critical for firms' growth is the ability to capture market share quickly. The cost of SaaS is affordable, and the time needed to bring a SaaS application on board is short, so the potential for the firm to benefit is great.<sup>6</sup>

The CRM online service requires no investment in hardware, operating systems, databases, software licenses, IT staff, or ongoing added overhead. By sourcing their online CRM from an expert application provider, firms can reserve more operating funds for other important activities.<sup>7</sup> International Data Corporation (IDC) sees long-term growth for Web-based SaaS services, estimating a 28 percent compound annual growth rate for the next five years. IDC expects the demand for SaaS applications to be from firms seeking to reduce costs and improve operations.<sup>8</sup> It sees SaaS as an annuity where customers and providers share a beneficial relationship

for years.<sup>9</sup> The table on page 23 lists some of the leading providers of SaaS application services.

Advanced software applications and the Internet are shaping success in an increasingly service-focused world economy. Technology continues to improve how firms produce, distribute and support their market offerings. Web-based application services create value not only by reducing costs, but also by enabling enterprises to be more responsive to customers' needs. ■

<sup>1</sup>Soon-Yong Choi and Andrew B. Whinston, "The Service Economy," SmartEcon.com, 2003.  
<sup>2</sup>"Software's Jolly Iconoclast," The Economist, June 2003.  
<sup>3</sup>"CRM on Demand: Have It Your Way," First Looks, July 2004.  
<sup>4</sup>Cade Metz, "Business IT: Rent or Buy?" PC Magazine, October 2004  
<sup>5</sup>Laurie McCabe, "CEO Business Leadership Forum," AMI-Partners, Inc., 2004.  
<sup>6</sup>"Delivering Software as a Service," Progress Software Corporation, 2003.  
<sup>7</sup>"Delivering Software as a Service," Progress Software Corporation, 2003.  
<sup>8</sup>"Worldwide and U.S. Application Management Services Forecast and Analysis for 2003-2007 and Worldwide and U. S. Software as a Service Market Analysis and Forecast, 2003-2007: Beyond ASP," International Data Corporation, 2003.  
<sup>9</sup>"Delivering Software as a Service," Progress Software Corporation, 2003.



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