

CCaaS

AVANT 6-12 Report

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AVANT Research & Analytics: The 6-12 Report






Each “6-12 Report” is developed by AVANT Research & Analytics with the assistance of technical teams within AVANT. These market research reports are backed by a wealth of data secured by AVANT in our normal course of business, our own primary research of end-customers, and other reputable industry sources.

[6-12 Report: UCaaS](#) | [6-12: Security NIST](#) | [6-12: SD-WAN](#) | [State of Disruption Report](#)

Our reports focus on today’s most disruptive technologies, those where the pace of change is rapid. Companies or technologies which – only a few years ago – may have been unknown, are now highly viable solutions that resolve the business needs that led to their creation. They have disrupted the IT landscape, a market already well known for its accelerating pace of change and innovation.

Every AVANT 6-12 Report gives enterprise technology leaders a contemporary and relevant overview of the featured subject suitable to making a purchase/non-purchase decision over the next six to 12 months. We select each topic based on the potential competitive advantages companies can realize if they adopt a given solution, depending on their particular industry, market space, or company size. All currency values in this report are expressed in U.S. dollars.

AVANT enables Trusted Advisors (agents, managed service providers, consultants, and specialized channel partners) to assist with the decision-making process technology through our specialization in disruptive technologies and solutions. We accomplish this with our:

-  Engineering Team of consummate professionals who study the ins-and-outs of the latest IT products from the perspective of what best meets the needs of end users.
-  AVANT Assessment Data collected during thousands of customer assessments and decisions.
-  Primary Research collected by surveying customers and Trusted Advisors to inform our decision-making process.
-  AVANT PATHFINDER: an IT decision making tool and repository of AVANT’s market intelligence, empowering comparative searches and intelligent queries.
-  AVANT analysts who conduct original research and analyze data for in-depth insight focused on, about and for Trusted Advisors, end-customers, and the surrounding ecosystem.

We also collect content in conjunction with the Trusted Advisor community, through initial assessment data and various market research tools, including surveys, interviews, focus groups, and external reports.

Introduction

CCaaS (Contact Center as a Service) solutions are cloud-based platforms that enable businesses to deliver customer service and support through a range of channels, including phone, email, chat, social media, and now, video.

Since the publication of AVANT's previous 6-12 report on CCaaS in June 2021, technologies such as artificial intelligence (AI) have continued to develop at a rapid pace; consumer behaviors are changing too. This 6-12 report will explore what CCaaS decision makers need to know about the changing landscape of CCaaS offerings, and how these changes impact the sales process.

CCaaS and the Consumerization of IT

The consumerization of IT is having a major impact on the CCaaS market. The consumerization of IT refers to individuals being able to purchase and manage IT solutions using their personal devices and applications for personal and work purposes. The term has been around for many years, but it is still a useful way to describe how the proliferation of smartphones and other mobile devices has impacted consumer behavior. Consumers — either in their work role or as individuals — expect to be able to communicate with businesses in real time, using the same technologies that they use in their personal lives.

Millennials (which generally refers to people born between the early 1980s to early 2000s) have shown a preference for digital channels for customer service and support, such as self-service options on a company's website or mobile app, or social media platforms. Some studies have found that Millennials are more likely than older generations to use these channels because they offer convenience, speed, and the ability to multitask.



If companies don't start offering chat [to customers], if you don't start ingesting SMS and other digital forms of social media communication, you're going to lose younger and younger generations. Companies must evolve and allow customers to communicate with them in the medium and the device they want versus just forcing them to make a phone call.

- Brent Wilford, Senior Director of CX and Unified Communications for AVANT

The consumerization of IT is also impacting the internal integration of CCaaS. It is becoming easier and more realistic to deploy many traditional CCaaS capabilities, like simple call queuing and simple call routing, through self-managed cloud services portals without the need for large scale IT integration projects. While tighter integration with business processes and other internal IT systems will require more effort, cloud-based CCaaS solutions continue to push the envelope of self-management and fast deployment.

The Economy and the Post-COVID Labor Market

The U.S. economy is forecasted to grow at a slow rate of one-half to 1% in 2023, as shown by real GDP, according to JP Morgan¹. Where some like JP Morgan are predicting a mild recession starting in late 2023, others are predicting there won't be a recession at all.

In terms of tech spending, the outlook is reasonably good as companies focus IT investments on initiatives that boost efficiency. According to Gartner, worldwide IT spending is projected to total \$4.6 trillion in 2023, an increase of 5.1% from 2022². Drilling down into the communications services category, Gartner is forecasting 2.4% growth over 2022 levels.

Analysys Mason predicts that small- and medium-sized businesses' spending on IT solutions and services will return to pre-pandemic levels. The firm's forecast is for an increase of 6.3% annually in 2023, reaching \$1.466 trillion in spending³. Businesses have traditionally relied upon Trusted Advisors, and that relationship will continue to evolve.

“The relationship between SMBs and their channel partners is evolving as SMBs seek support beyond IT purchases. SMBs are expected to prefer channel partners that can provide strategic guidance on how IT can help them to grow their businesses and increase revenue,” Analysys Mason said.

At the same time, the tech industry is experiencing layoffs, with big companies like Microsoft, Salesforce, Amazon, HP, Cisco, Meta and more announcing cuts. Yet, there are areas of the economy where there is a shortage of workers, contact centers being one example.



There's a shortage of employees [in contact centers]. Existing employees are overworked. There's a lot going on; call volumes went up significantly, especially during COVID.

- Aqeel Shahid, Vice President of Global Strategic Partners at Vonage

A survey by Censuswide in 2022⁴ revealed that:

- Contact volumes are spiraling beyond the capacity to handle them (66% of respondents).
- Two-thirds of respondents say dealing with frustrated customers has impacted employees' mental health.

An uncertain labor market will aid hiring for contact centers to a degree, but the days of staffing hundreds of employees in a central office building are receding. Retaining employees is an ongoing issue in the industry, too. These are significant challenges, but the flexibility of CCaaS systems that inherently consider the “anywhere” agent promise to give employers the tools to offer excellent customer and employee experiences.

By the Numbers

The post-covid market dynamics are turning into significant revenue. A forecast from Gartner pegs the global CCaaS revenue market size at \$17.9 billion by 2024⁵, with companies adopting services that include capabilities such as multichannel communications, AI and web experience monitoring.

More Industry Figures



More recently, Gartner has released projections that end-user spending on conversational AI solutions within contact centers approached \$2 billion in 2022⁶. The proportion of contact center agent interactions that will be automated is expected to increase from approximately 1.6% to one in ten by 2026. This expansion of automation in contact centers is expected to lead to cost savings, as conversational AI is predicted to reduce agent labor costs by \$80 billion by 2026.

AVANT Sales Data

25%

AVANT sales data for 2022 shows the CCaaS market is far from saturated; AVANT's ecosystem of Trusted Advisor sales are estimated to account for over 25% of the year-over-year market growth for 2022 CCaaS revenue in North America. Industry observers are expecting more opportunity growth in 2023 as a wave of Cisco maintenance contracts come up for renewal.

Which of the following products or services have you considered?

Security products/services



Cloud infrastructure services (e.g. IaaS, AWS, Azure, GCP)



SaaS cloud applications (email, CRM, ERP)



Connectivity (such as SD-WAN)



Unified Communications, including voice (e.g. UCaaS/PBX)



Contact center (including CCaaS)



Colocation



Other, specify (Optional)



■ Purchased
 ■ Investigated the possibility of purchasing in the last year
 ■ Neither

Source: Avant State of Disruption Survey 2023

The Buyer's Journey in 2023

For insights into the Buyer's journey in 2023, it is worth noting that AVANT's Interactive Quick Assessments (IQAs) provide a deep look into the drivers and details that lead end-customers to inquire about CCaaS, as shown in the following charts.

It should be no surprise that businesses are continuing to consider CCaaS as service contracts expire (27% of respondents, Fig. 1).

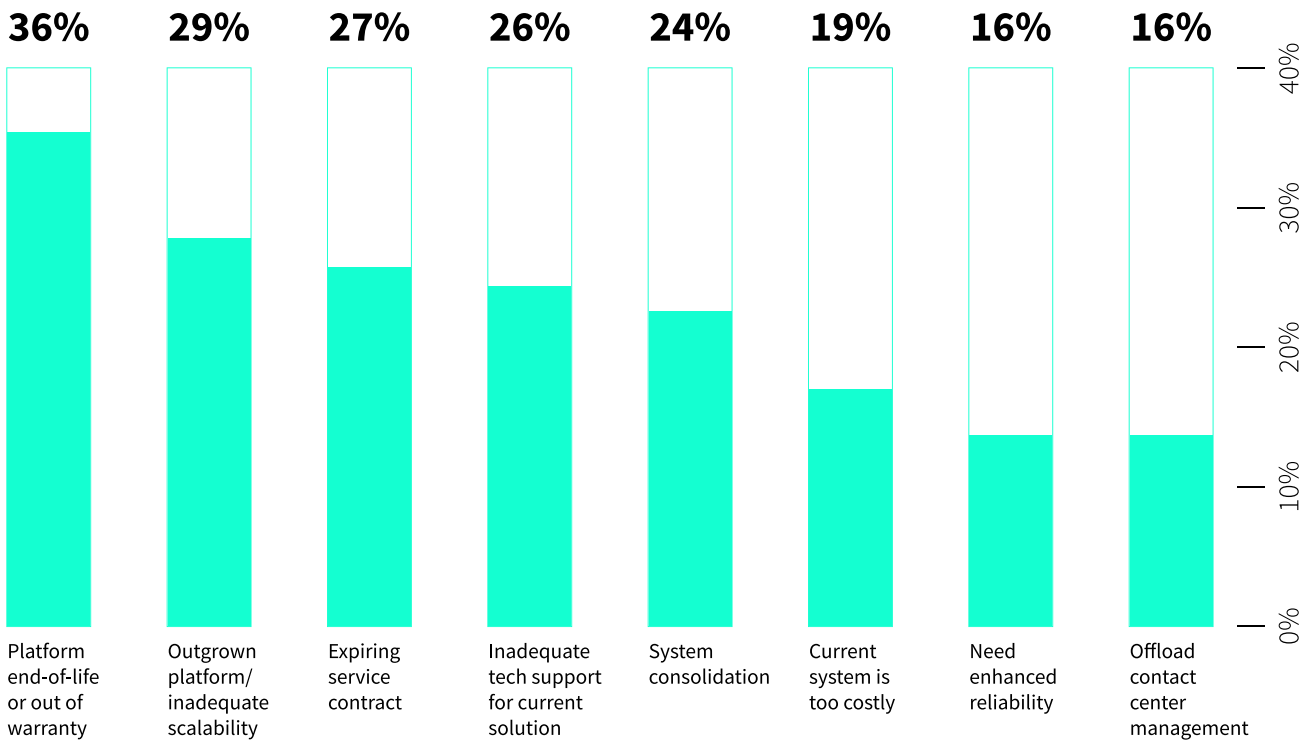
End-of-life (EOL) or out-of-warranty notices from contact center equipment vendors is another common denominator, with IQA data showing a strong increase in respondents stating EOL as a reason for considering a new contact center platform, compared to AVANT's 2021 CCaaS report (36% of respondents compared to 30%).

Scalability is another key factor driving consideration, with 29% of respondents citing inadequate scalability as an issue, compared to 25% in our previous report.

System consolidation is more of a driver for contact center upgrades (24%) than price (19%), which suggests that focusing on the ROI of retiring a legacy system and moving to an integrated platform approach (which CCaaS systems can offer) will offset concerns about the cost of transitioning to new systems.

Fig 1:

Why are you considering a new contact center platform?



Source: AVANT Analytics April 2023

There are also some shifts in the benefits that businesses are seeking from contact center platforms. Seeking additional functionality is still at the top of buyers' lists, while simplifying day-to-day management has increased as a need, with 50% of respondents citing easier management as a benefit (Fig. 2), compared to 46% in 2021.

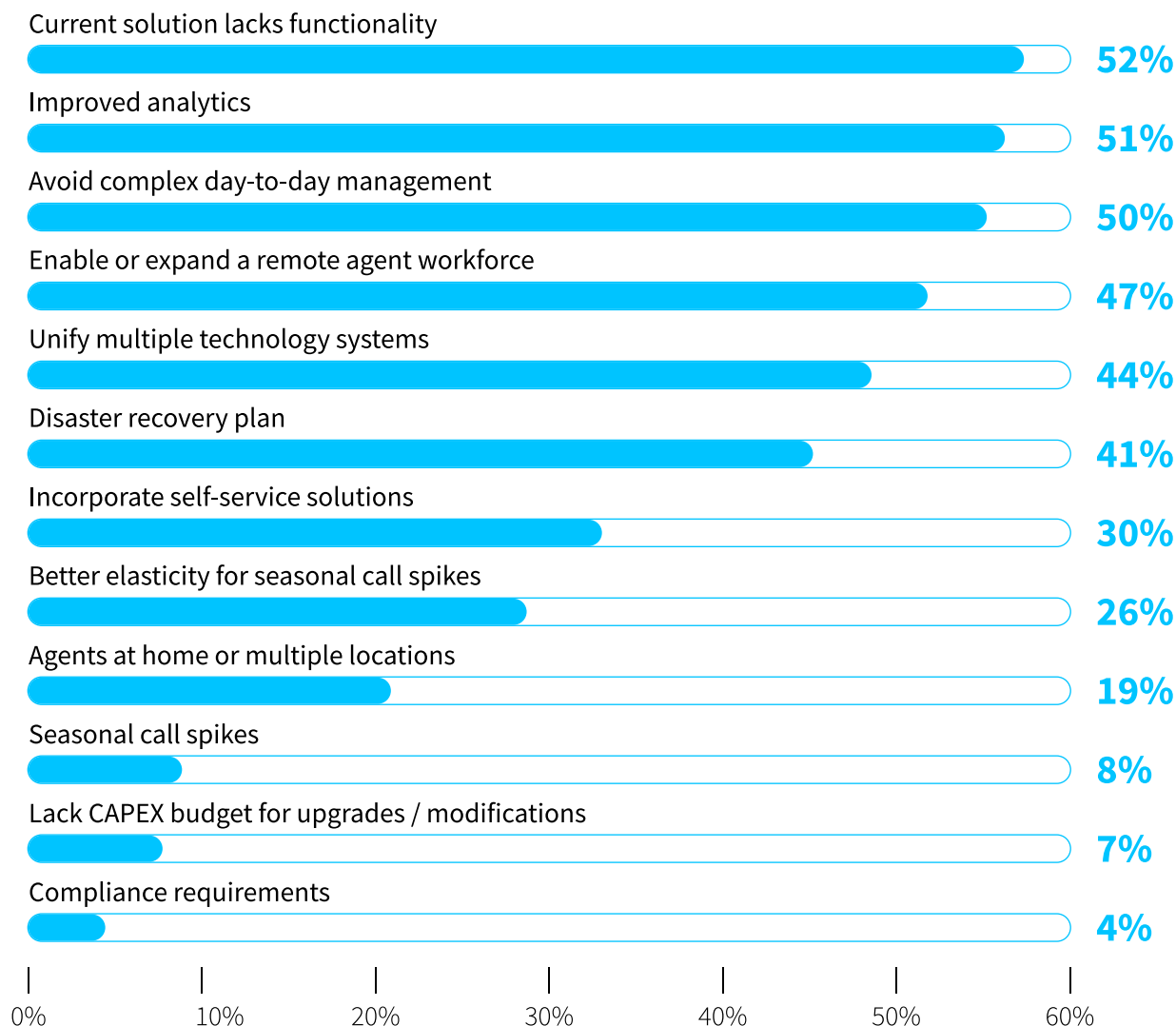
The biggest change in the last year is a desire for improved analytics, with 51% of respondents citing this as a desired benefit, compared to 34% in our previous report. Analytics can help drive operational efficiency and customer satisfaction at a time when budgets are under scrutiny.

The biggest year-over-year changes relate to the two market trends outlined in this report: a remote workforce and changes in customer support handling. AVANT's IQA data shows 47% of respondents are seeking a solution that enables or expands a remote agent workforce, compared to 32% in 2021.

Another large shift is the desire to incorporate self-service solutions, with 30% of respondents citing this as a benefit they are seeking, compared to 19% in the 2021 report.

Fig. 2:

What benefits are you seeking from a new contact center platform?



Source: AVANT Analytics April 2023

Market and Technology Trends

As companies learned during the early stages of the pandemic, CCaaS solutions have the benefit of enabling flexible working arrangements.

The previous CCaaS 6-12 report, published in June 2021, noted the following about how the pandemic might impact contact centers:

Some experts anticipate a 60-40 mix, where about 40% of employees work remotely. Others predict that, as work-from-anywhere gains further ground, the legacy emphasis on brick-and-mortar facilities will decline even more — augmented by an opportunity for businesses to get reduced leases in commercial office space and a chance to hire the best-qualified applicants, wherever they live.

There are ongoing debates about where employees will be working, but modern CCaaS systems can help management overcome these issues.

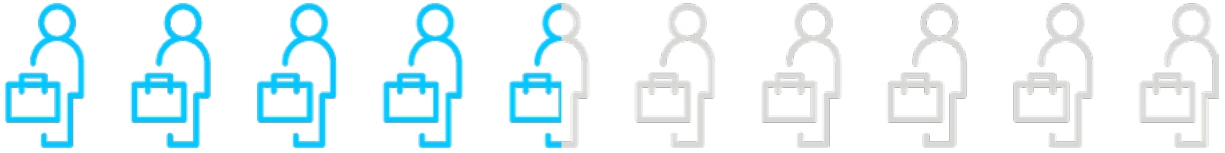
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Why do supervisors care (about remote work)? It's because they can't monitor their agent's performance. If they're all spread out across all 50 states, they can't understand what's happening in the contact center. Now we can monitor every phone call live, not later on, and we can jump into the calls that need my attention right away.

- Steve Forcum, former Head of Solution Marketing & Chief Evangelist for Avaya

By continuing to offer employees the ability to work from home, contact centers can help to reduce employee turnover and improve retention. Another way to retain employees — give them meaningful work. Offload mundane, repetitive work to chatbots and conversational assistants.

“Businesses must focus on retaining agents by making it easy for them to do their work. Make it easy to find the information to provide good customer service. Don't make them search 15 different databases,” said Brent Wilford, Senior Director of CX and Unified Communications for AVANT. He cited research showing that 78% of leaders are investing in more self-service to make lives for agents better.



“The industry average is about 45% attrition rate for agents. It takes 40 days to hire a new agent. Things like agent assist, real-time coaching, those are the types of things that are going to make your employees want to stay around and stick with your company,” said Matt Miller, Senior Enterprise Solutions Consultant for Five9.

Product capabilities such as access to customer relationship management (CRM) systems, chat and messaging tools, and other technologies can help employees better serve customers and manage their workloads. This too can help to improve employee morale and reduce turnover.

“There’s a shortage of employees and existing employees are overworked...adding in a technology like the self-service option really helps augment your teams,” said Aqeel Shahid, Vice President of Global Strategic Partners at Vonage.

If an agent wants to extend the call beyond an initial interaction, an AI bot can provide the agent with context with the communication that took place between the bot and individual. “It’s literally drag and drop icons, and it creates the entire workflow, and it can now reference via APIs into any of the custom applications that people are using,” Shahid said, including Salesforce and database applications. “You can scale your organizations without having to add an additional full-time or full-time equivalent employee”.

Technology Trends

In terms of CCaaS, two key trends to watch in the next 12 months emerged from discussions at AVANT’s Special Forces Summit, held in September 2022. Those trends are: the use of AI + chatbots for customer experience and contact centers, and application integration, including the use of low-code/no-code tools to create workflows and applications.

AI and Chatbots

“Customers of all shapes and sizes want self-service. For a human being to tell me more about packages or resetting my password, just automate that. If you don’t give them that option, if you force them to wait and talk to a human, you are going to lose customers, because people are saying that this is important to them,” said AVANT’s Wilford.

Until recently, adding self-service chatbots was no simple task. Conversational analysts, data scientists, machine learning engineers and developers might be needed for such solutions only a few years ago. Vendors have been augmenting and integrating these technologies into CCaaS platforms so they are more straightforward to implement.

“We want to implement technologies like conversational AI that work natively out of the box, that don’t need six months or a year of training or coaching to make them effective,” said Adam Hiatt, Dialpad Sales Engineer. “We’re able to build it right on top of our existing contact center technology, allowing our customers to engage with their providers on the website, and have that experience driven by a conversational AI experience that delivers on that out of the box,” according to Hiatt.

“If you look at the industry average, only 2% to 3% of the calls that are coming through the contact center are ever monitored,” said Observe.AI Director of Channels, Rob Fish. With AI, companies have “100% visibility into every interaction that comes through that call center. And your data set is that much stronger that you can utilize to make a better business outcome” Fish noted.

ChatGPT in the contact center

ChatGPT is a chatbot powered by the GPT-4 large language model from OpenAI, a San Francisco-based AI company. One of the most common uses of ChatGPT by CCaaS vendors is for call summaries. ChatGPT can take the call transcription and return a summary that is attached to the call record.

Application Integration

CCaaS systems don't operate in a vacuum; they are part of a company's overall business processes. Integration with other IT systems is made easier by APIs and documentation; many vendors also have pre-built integrations with other key systems' vendors. Examples of integration points include:



Data integration: The sharing of data enables a more efficient and effective handling of customer interactions. Integration can enable automation of repetitive tasks such as data entry or performing a related query, which increases the overall efficiency of operations.



CRM and marketing integration: Integration with CRM and marketing automation systems can provide a more comprehensive view of the customer, leading to a more personalized and effective interaction.



Analytics integration: Another data-related issue is integration with analytics systems that provide real-time insights into performance metrics such as wait times, first call resolution, and customer satisfaction. This integration allows contact center managers to make informed decisions and improve operations.



Workforce management systems: Integration with workforce management systems is needed to ensure that the right resources are available to handle customer interactions.

Integration with conversational AI technology, including voice and chatbot systems, is another place where customers should consider vendor capabilities.

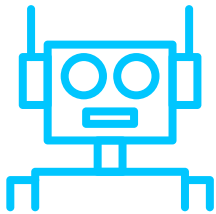


Incorporating knowledge management and knowledge base [systems] into a broader CX technology strategy becomes necessary. A bot that knows what you looked for at Google, where you've been on the company website, what knowledge has already been presented to you, what words you've used can all be seamlessly transferred to the human being.

- Marcus Garcia, Vice President of Healthcare at NICE CXone

ChatGPT

ChatGPT deserves a mention as a phenomenon. Seemingly out of nowhere, the service has garnered over 1 million users within the first week of its launch and is estimated to have tens of millions of users per week. Here is how ChatGPT describes itself when asked what ChatGPT is:



ChatGPT is an advanced artificial intelligence language model developed by OpenAI. As a language model, ChatGPT is designed to understand and generate human-like language responses to text-based inputs, including questions, statements, and commands.

Users can interact with ChatGPT through various interfaces, such as web chatbots or messaging apps, by entering text-based inputs or questions. ChatGPT analyzes the input and generates a response that is tailored to the user's input and context. The responses generated by ChatGPT are often coherent, informative, and engaging, making it a useful tool for a wide range of applications, such as customer support, language translation, and educational purposes.

CCaaS vendors have already started to integrate ChatGPT into their offerings. The technology is being used in areas such as:

- Call transcription and summary
- Automation and process improvement
- Custom data charting and data trend analysis

The possibilities for such tools are wide ranging and include the ability to generate computer code, for example. However, CCaaS customers need to carefully examine data handling requirements. Some legal and AI experts note that large language models are trained on everything that has been published on the web without regard to copyright ownership. Also, these systems are potentially using user inputs to further train and refine models, meaning that sensitive data should not be run through such systems until vendors can show that they are running private instances of ChatGPT and other generative AI systems.

Choosing a Solution

The increasing capabilities of CCaaS systems mean the systems touch more parts of a business, resulting in changes in who evaluates and purchases systems.

The CIO, CTO, and other technology leaders are now the decision makers on contact center vendor selection nearly 60% of the time, according to the Customer Experience Transformation global research study from Metrigy. The Chief Customer Officer and/or CX leaders are involved 35% of the time.

“IT is always going to be involved because it’s touching their networks and IT infrastructure. But I think what we’re seeing the changes on the use case is really those decision makers are really across the entire gamut of the business.... We’re seeing the marketing departments, the operational departments in many different other functional areas that are touching the contact center, because that technology is really permeating into the different teams out there,” said Armando Martinez, Senior Director of Global Technology Solutions Distributors at RingCentral.

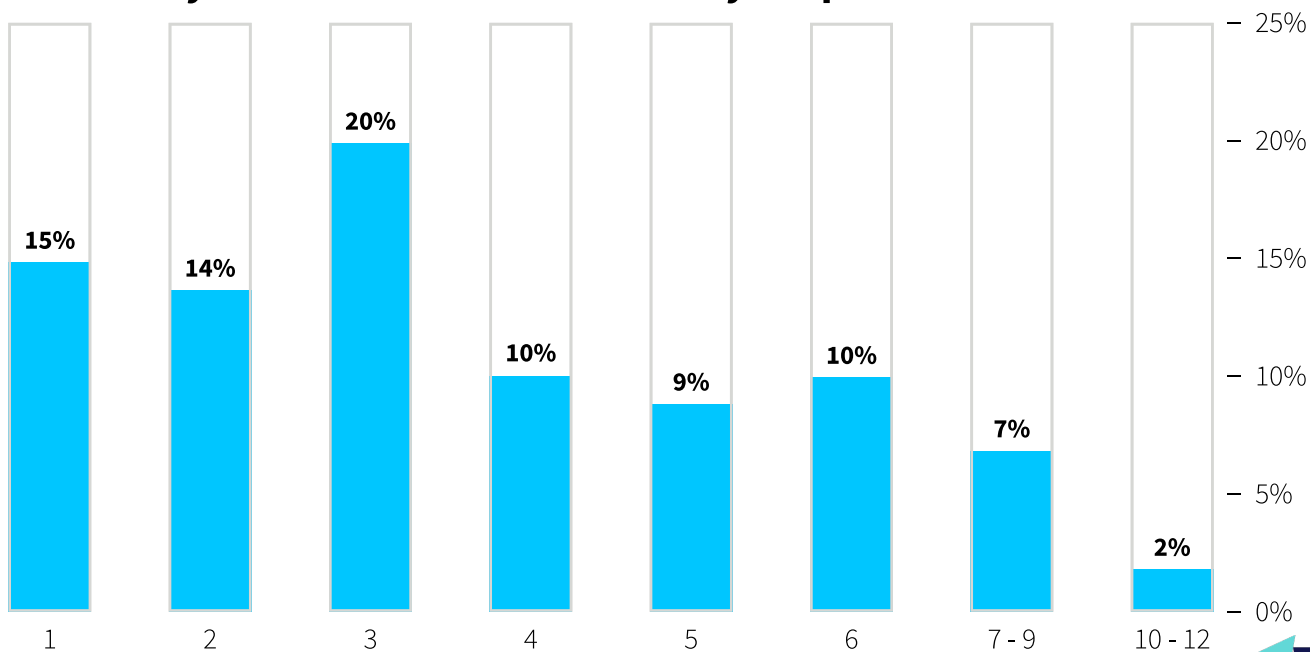
The days of big IT staff are likely gone, according to RingCentral’s Martinez. Purchases of thousands of contact center seats still occur, but there are tremendous growth opportunities with smaller SMB organizations (even as small as one to 10 users) and mid-market companies, he noted.



If you are not evolving as a business and not understanding how economic purchasing power is shifting [to younger decision makers], you’re terminally ill and don’t know it.

- Brent Wilford, AVANT

How many months did it take to make your product selection?



Source: AVANT State of Disruption Survey 2023



The main takeaway is this: shifts in consumer behavior and purchasing power by younger generations means companies need to adapt or die.

ChatGPT is the latest example of the consumerization of IT where sudden adoption of the rapid pace of technological change is impacting customer service. The purchasing power of a younger generation of consumers, in tandem with their willingness to engage in new ways with new technologies, means that the old playbook for customer service is not going to work well in the future — and that future is closer than many think.



A modern CCaaS system can provide a platform for businesses to adapt to this new reality.

Buyers are likely to feel overwhelmed with understanding all the different trends and technology changes impacting their customer service organizations. Understanding business objectives first will enable executives to understand what they are already good at today, and what needs to be improved. Targeting specific areas for improvement will help inform a “Crawl, walk, run” approach to integrating and adopting a new CCaaS platform while minimizing disruption to agents and the business as a whole.

How should organizations without large IT staff go about selecting a CCaaS system? Just as large organizations would, a Trusted Advisor is a crucial enabler to help select and implement the solution that is most appropriate for your business today (and in the future).

Checklist

Some ideas to consider when buying a CCaaS platform:

Technical Requirements

- Scalability:** Ensure the solution can accommodate growth in contact volume and agent numbers. How long does it take the vendor to provision new seats?
- Integration:** Verify the solution integrates with existing customer engagement tools, such as CRM and help desk software. What are other customers' experiences with the time and effort required to integrate other essential systems?
- Omni-channel support:** Ensure the solution supports customer communication via multiple channels, including voice, email, chat, and social media. Are there limits on the volume and concurrency that need consideration?
- Reporting and analytics:** Check for real-time reporting and analytics capabilities to measure and optimize contact center performance. Are there easy-to-use tools to build customized reports?
- Security and compliance:** Confirm the solution meets security and data privacy regulations, such as GDPR and HIPAA. Can the vendor provide documentation of its data management and security practices?

Business Requirements

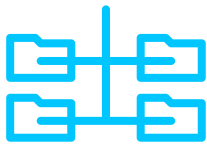
- Cost-effectiveness:** Evaluate the total cost of ownership, including upfront and ongoing expenses, to ensure the solution provides value for money. Can the vendor provide a customer reference that is similar in size and complexity to my organization?
- Customer experience:** Ensure the solution provides a seamless and consistent customer experience across all communication channels. Can the vendor support the addition of different channels (i.e. web chat, messaging, SMS and the like) in a phased approach?
- Flexibility and customization:** Check for the ability to configure and customize the solution to meet the unique needs of the organization. Does the vendor have good documentation and training support that will enable the customer to configure and customize the solution? To what degree are professional services going to be needed?
- Employee satisfaction:** Ensure the solution provides a user-friendly interface and tools for agents to enhance their productivity and job satisfaction. Is the vendor willing to show CSAT or NPS scores showing satisfaction with their solution?
- Business continuity:** Confirm the solution has disaster recovery and business continuity features to minimize downtime and ensure continuous operations. If the solution is built on a third-party cloud provider, are they able to utilize different operating regions? If the solution is built on the vendor's own infrastructure, what are the plans if their data center has downtime?

Key Roles

Buying a CCaaS solution involves companies serving in a variety of roles that represent different portions of the value proposition. The general categories listed below are not mutually exclusive, as different companies may have or merge diverse models. Here are the general categories:



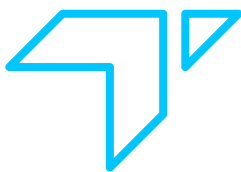
Product Vendor: These companies develop software, hardware, platforms, and solutions. You will likely find some products are more effective than others, and some will work together in the same environment better than others. If the products don't interoperate well, they might cancel out one another's benefits or cause systems to work more slowly. Vendors often rely upon Trusted Advisors, managed service providers (MSPs), and indirect channel partners to bring their products to market, though some also may sell directly to the client. From the customer standpoint, direct sales efforts are led by people with quotas and allegiance to one vendor. Thus, the product they offer may or may not be the best fit for your circumstances.



Managed Service Provider (MSP): MSPs use vendor products, sometimes with a portfolio of vendors to choose from, to deliver a solution. MSPs don't develop products, although some combine different products into a bundled offer and in some cases include an additional homegrown service or software that differentiates them from their competition. MSPs often optimize a given solution to your needs and function in a mode very similar to consultants (see below). In most cases, the buyer will have certain options available but cannot make detailed requirements on which vendors and solutions are purchased. This limitation is typically balanced by enhanced simplicity. Carriers can provide managed security services working with an MSP model. In most cases, carrier-based offerings are made in conjunction with other offered services.



Consultant/Agent/Reseller: This segment typically does not have an internally developed product or technology. Instead, these organizations function as independent entities that help you sort through available options based on your company's needs, budgets, and legacy infrastructure. They do the legwork, understanding each potential solution's differentiators, as well as those of the vendors that provide them. Aside from helping with the pre-sales phase of the engagement, they deploy, optimize, deliver support and training, and help with other facets of technology.



Trusted Advisor: A Trusted Advisor is a technology company that translates the offerings of technology vendors and service providers into integrated solutions that further customers' interests, typically by reducing costs or boosting productivity. They often are called "agents", "resellers", "integrators", or "managed service providers", each of which has its own business-model variation. Trusted Advisors are third parties; they are neither owned by a vendor nor part of an internal IT department. They advise clients and make recommendations that customers then use in their decision making.

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Acknowledgements



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