FROST & SULLIVAN

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North American Agent Performance Optimization

Report Summary

"Partnering with clients to create innovative growth strategies"

The contact center Agent Performance Optimization segment can be defined as a set of applications that seek to increase agent effectiveness, reduce workforce costs and improve service levels. These tools allow contact center managers to plan schedules, forecast agent requirements, measure agent performance, analyze results and improve outcomes. These systems provide tangible quantifiable results in terms of short payback periods and attractive ROI.

Quality monitoring software allows users to record, retrieve, analyze and improve agent/ customer interactions via PSTN, VoIP, email and web self-service channels. Customer-agent interaction recordings are being increasingly utilized to unearth intelligence that is of interest to users at various levels both within the contact center as well as the enterprise. This intelligence provides greater insight into customer behavior and the means of improving the customer experience.

Workforce management software does three essential things. It forecasts call volume based on historical patterns. It schedules the appropriate number of agents on the job based on those forecasts. And it measures the adherence to the forecasts at regular intervals.

KEY APO TRENDS

Consolidation Leads to More Suites

In 2006 and beyond, major mergers and acquisitions in the APO space are reshaping the marketplace. Consolidation has increased the number of entities that offer all the APO components under one corporate umbrella. Even though there are fewer companies in the space in an absolute sense, the number of full-suite suppliers is higher than it was in 2005. In response, smaller vendors have strengthened their partnerships with other independent vendors, creating “suites” that consist of partnered point solutions.

Product Line Extensions Add Value

While it is going too far to call the core products in QM and WFM truly commoditized, there’s no question that they have become much more stable and less expensive technologies to produce and deploy. Therefore vendors looking for growth are turning to more sophisticated product line extensions that add greater value to their offerings. QM and WFM are becoming the baseline offering, the heart of the suites (especially call recording), and applications like speech analytics, screen analytics and performance management are the differentiators.

Platforms Decoupled From Hardware / Switch to IP

The migration to IP switching has had many effects in the contact center, not least the revolution in ACD and CTI technologies. As switches become decoupled from their hardware roots, and become hybrid TDM/IP or fully IP products, the applications that ride along on top of them have had to change as well. As companies change and adapt in the call routing marketplace, which is much larger than the APO space, they are in turn adapting their APO tools to accommodate. This puts a steady diet of new and improved software in front of potential customers and encourages upgrades, particularly on the QM side of APO.

Next Level of Cost Control Sought

APO software provides the greatest opportunity to continue to improve a center’s operating efficiency. One of the major drivers behind the continued growth of APO software is the fact that it really does have a fast and significant impact on the productivity and skill level of agents, which is directly measurable by traditional call center metrics. The pursuit of the call center as "profit center" is also a measurable effect of APO, but cost control is still, and will continue to be, the driving force behind call center technology purchasing.

Different KPIs for Different Users — Leads to PM

In realms where "profit" or value really is being pursued through the contact center, the problem for executives is translating the mountain of telephony-based call data coming out of the center into prescriptive action plans. This has led to the burgeoning add-on market for performance management tools. Being able to express what goes on in the contact center and throughout the customer experience in concrete terms that marketing and other executives can act on requires a whole new set of KPIs, and new technologies (like dashboards and web-based information portals) that project the information outward from the center and into the hands of non-call center professionals who can make use of it.

Low Penetration in Smaller Centers

The small to medium contact center market represents an enormous, relatively untapped slice of the overall pie. Despite their size, smaller centers can be just as complex environments as their larger counterparts. Especially on the WFM side of the APO market, they can benefit from tools that can juggle multiple agent skill sets, and multiple small but virtually managed sites. Realizing this potential, the majority of vendors in the space have introduced pre-packaged and specially priced versions of their products targeted towards the small to medium sector. Small- and medium-sized contact centers have been defined as those with less than 250 agent seats. Hosted application models, that offer reduced high upfront costs and the convenience of outsourced functions, are also attractive alternatives for the small-mid market.

KEY QUALITY MONITORING TRENDS

The North American market for Quality Monitoring solutions including revenue from software, hardware and services currently stands at $393 million. Enterprises across a broad cross-section of industries continue to purchase this software driven by the need to reduce costs, improve agent performance, identify areas for process improvement, verify customer-agent interactions, comply with regulations and protect against litigation.

Impact of Vendor Consolidation

Vendor consolidation among the key QM companies accelerated in 2006 and continued into 2007. The main element causing consolidation was the need for the largest vendors to grow by expanding their product offerings into complementary areas.

Customers benefit from these integrations in that the vendors are forced to ensure that integrations between similar contact center tools work and are improved steadily.

Consolidation has produced stronger suites at both the top and the middle of the market, bringing together logical offerings (analytics plus recording, for example) and forging connections between tools that make a lot of sense from an operational point of view.

Suites Move Towards eLearning and Coaching

Agent retention and turnover has long been identified as the key operational deficit in contact center management. There have long been select tools that target specific areas in the agent development lifecycle, tools for training, coaching, and motivation for example. The creation of optimized suites that combine QM with those tools allows vendors to emphasize a holistic agent-retention system that professionalizes the performance of agents in a contact center.

IP Migration Radically Opening the Market

IP is changing the nature of the QM market in two ways. First, it enables significant growth in IP-enabled applications. It extends monitoring capabilities to remote and multisourced agents, for example. It allows for management visibility across entire networks of agents and distributes resources more intelligently.

Collision with the Enterprise

QM vendors are trying exquisitely hard to make their offerings (especially the suites) attractive to buyers outside the contact center, in other parts of the enterprise. To do this, they are emphasizing more of the traditionally HR functions of their tools, like training and "work-force optimization." This is also a driver behind the surge of analytics tools that are popping up in all corners of contact center software.

Figure 1-8 shows the market share of the major Quality Monitoring software vendors in North America derived from product revenues only.

Figure 1-8
Quality Monitoring Market: Company Market Share by Product Revenues (North America), 2006

2006 Company	**(%)**
NICE Systems	30.0
Verint Systems	20.0
Autonomy etalk	13.6
Witness Systems	13.4
Envision Telephony	5.2
VPI	4.2
HigherGround	2.1
Others	11.5
TOTAL	100.0

KEY WORKFORCE MANAGEMENT SOFTWARE TRENDS

Today's WFM vendor is, more than likely, a vendor of a complete APO solution, of which WFM is just one component part. The North American market for WFM solutions, including revenue from software and services, currently stands at $210.88 million. It is used by companies in all verticals, but most especially in the verticals with the highest volume of calls, the largest numbers of agents, and (perhaps most important) the greatest complexity of operations.

The true impact of consolidation among the APO vendors at large has been deeper penetration of WFM into new contact centers that buy it as part of a suite, rather than having to buy (and justify) it on its own. Even though the ROI from WFM is painfully clear, many centers have not bought it as a standalone product.

It also makes it easier for the suite vendors to argue that the WFM data can be used more widely than just for scheduling—it can seed analytic and evaluative systems throughout the contact center. WFM systems, it should be noted, are the primary source of predictive information in contact centers. Every other source of data is historical.

Figure 1-20 shows the market share of the major Workforce Management software vendors in North America derived from product revenues only.

Figure 1-20

Workforce Management Market: Company Market Share by Product Revenues (North America), 2006

2006 Company	(%)
IEX	26.2
Aspect	21.1
Calabrio	14.8
Witness	13.9
Genesys	5.0
GMT	4.8
Envision	1.1
Others	13.1
TOTAL	100.0

PROFILE: QUALITY MONITORING

NICE Systems

In 2006, NICE Systems was ranked first in the Quality Monitoring market. It is an Israeli company with American headquarters in New Jersey. NICE's roots stem from their presence in the compliance and verification markets, one of the precursors to the use of call recording in contact centers.

The compliance market focused (and still focuses) on the need to capture audio of phone calls for legal reasons and impacts primarily the financial services and insurance vertical sectors. Before a strategic shift in the mid 1990s to emphasize contact centers, NICE's business leaned heavily towards monitoring in environments like public safety, air traffic control, intelligence agencies, financial services, with the contact center a growing but still niche market for the company.

NICE got into the QM Market in 1997, when the company recognized that contact centers were a major avenue of growth. In that year, NICE acquired Dees, a private Canadian vendor of loggers aimed squarely at call centers, and used the acquisition to position its recording technology as a true contact center quality solution.

The late 1990s were a period of turbulence in the recording and contact center hardware fields because of the sudden emergence of open standards for accessing traditionally closed phone switches (ACDs and PBXs). These open standards, collectively known as CTI, enabled vendors like NICE to add value to the information flowing in and out of the switch and build successful add-on products that allowed the contact center to discern more clearly the operational gaps that were holding back performance.

NICE's evolution from niche player to an overall leadership position in the agent performance optimization space mirrors the way the software tools have evolved over that time. NICE used its presence as a major supplier of robust call recording tools to branch out to other critical areas within the center. In 2004, for example, NICE introduced NICE Perform and Interaction Analytics, tools specifically built to start to leverage the information accumulating inside the center in ways that would help optimize overall performance.

This trend culminated in 2006 when NICE simultaneously bought two niche providers of specialty contact center software that deeply complement the recording engine. Announced on the same day, the acquisition of IEX Corporation (a major workforce management soft-ware vendor) and Performix (a smaller player in the relatively new field of performance management) solidified NICE's growing reputation as a near full-service suite provider. In effect, NICE's efforts broadened their approach to the contact center by sweeping under one roof the core recorder; the analytic software that parses the meaning of the calls; the soft-ware that assesses the quality of the calls; the feedback mechanisms that provide direction for agents and managers to improve based on that meaning; and the scheduling and forecasting that puts it all into operational perspective.

The acquisition of those particular companies was more a factor of the market dynamics in play in 2006 than the special strengths of IEX and Performix. IEX was essentially the last large workforce management company left standing after Witness had acquired Blue Pumpkin the year before. (There are still several important but smaller standalone WFM vendors; they are described in another section of this report.)

One of the advantages IEX brought to NICE's environment, though, was that IEX actually had roots in the contact center switching world and as a result had experience with the kinds of large, high-volume and multi-site centers that NICE's customers in financial services specialized in. IEX turned out to be a particularly good complement from a software and marketing point of view, especially in light of the possibility floated several times since 2004, that NICE and rival Witness Systems would be the ones to join forces. In hindsight, IEX looks like a better match for NICE than Witness and its Blue Pumpkin subsidiary would have been.

On the performance management side, Performix can almost be described as an afterthought to the IEX purchase. Performix had been having financial problems and, though they had developed some innovative technology, had been having trouble articulating their value proposition in a marketplace where companies with roots in the analytics and business intelligence field had already achieved some traction. Where NICE acquired IEX for their technology and for the sales channels and development infrastructure, they mainly acquired Performix a) because they wanted to add a performance management component to their suite and b) it was easier to buy Performix than to build one from scratch.

The resulting combination of all three entities under the NICE brand presents both opportunities and challenges for the company, and for the other companies in the sector. One can argue that it led directly to the combination of Witness and Verint. And it can also be seen as a sign that the contact center is more interested in buying tightly integrated suites of related tools than in preserving the independence of niche software vendors.

NICE has unveiled a development roadmap that promises a high degree of integration between its various components, under the auspices of an umbrella suite called the NICE Smart Center.

NICE SmartCenter is based on the core products of NICE Perform and IEX TotalView. NICE Perform is the call recording and analytic component; it captures and stores voice and screen interactions, and scores of the interactions. The underlying tools retain their separate functionality and development cycles, at least for the short term. And NICE says that the tools will be available as separate standalone products as well as part of the umbrella suite.

NICE SmartCenter is putting them together through a single unified user interface. Report extraction works the same intuitive way. You no longer have to extract one set of KPIs about agent activity in one place, and then coordinate it with data about performance goals in another place.

NICE's key challenge in the next 12-24 months is going to be demonstrating to the contact center marketplace that the very advanced tools they've built and acquired can and will be integrated seamlessly. They have indicated their plans to use a service-oriented architecture (SOA) approach to link the systems in order to give users a simple, Web-based overlay to control the disparate systems. It still remains to be seen whether the large, high-volume contact centers in the financial services market that are NICE's chief sector will embrace the entire concept of the NICE SmartCenter, or will continue to cherrypick best-of-breed solutions from among the niche players of agent optimization software.

PROFILE: WORKFORCE MANAGEMENT

IEX Corporation

IEX Corporation was acquired by NICE Systems in mid-year 2006. The IEX TotalView Workforce Management system combines powerful scheduling algorithms with discrete simulation technology to generate staff plans that take into account site and network routing rules as well as individual agent skills, skill levels, work preferences and availability.

The IEX TotalView system was designed from the beginning to handle multisite complexities with unmatched flexibility to determine how and where planning and management functions are handled within the enterprise. Patented planning tools intelligently allocate workload across sites based on routing methodology, operational hours, agent availability and unique handle times. It is also particularly well-suited to environments that include the need to schedule multi-skilled agents, and to multi-channel contact modes.

The product has been steadily improved for accuracy and usability for several years now, adding features needed by specific markets (outsourcers, for example) and in different configurations (adding outbound scheduling in 2005).

NICE has integrated IEX into its NICE SmartCenter suite, promoting the system's ability to communicate with other agent-facing tools, including NICE's performance management and quality monitoring tools. NICE says that they will remain separate brands and separate developmental product lines even as the company works to further integrate their functionality into a unified suite with an umbrella data portal ("MyUniverse") for users. The products will continue to be available as standalone offerings for the near future.

MARKET LEADERSHIP AWARD

NICE Systems is the recipient of the 2007 Market Leadership Award. In 2006, NICE maintained its leadership position in the global quality monitoring market, despite stiff competition from some very formidable and active competitors. It could be argued that the strongest reason it deserves this award is less its quality monitoring efforts than its insightful and groundbreaking acquisition of IEX mid-year.

In the QM space, NICE is the market share leader in what was a tight three- (going on four-) way race. But NICE wisely recognized that the customer base is not as eager to embrace quality monitoring and call recording in a vacuum anymore. The marketplace wants integrated agent-facing tools, and it wants to centralize and organize all the disorganized data that contact centers generate.

In striking to acquire both IEX and the performance management vendor Performix on the same day, NICE presented the industry with a de facto roadmap for combining all the agent-related tools under a single umbrella. Even if the tools are used separately, they work better when managed in concert. NICE's deliberate strategy of filling in gaps in the agent management portfolio contributed mightily to the company's ability to hold a lead in the marketplace.

The integration of IEX into the product mix will reshape the entire purchasing decision for quality monitoring. Workforce management software is rapidly becoming a key link in feeding back quality and performance analysis information to agents in a timely way. The company has currently progressed to the point where the product roadmap for the separate APO pieces are defined in close parallel, with points of intersection where it makes the most immediate sense: at the agent dashboard; at the point where coaching or training generated by the quality side needs to be scheduled via the workforce management.

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