

Magic Quadrant for Contact Center as a Service, North America

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VIEW SUMMARY

The contact center as a service market in North America is growing rapidly, and can provide a viable alternative to traditional premises-based solutions across a variety of deployment sizes and levels of complexity.

Market Definition/Description

Contact center as a service (CCaaS) solutions offer the same functions and capabilities required to operate call and contact centers as premises-based contact center infrastructure.

This type of infrastructure is used by customer and employee service and support centers, by inbound and outbound telemarketing services, by help desk services, by government-operated support centers, and by other types of structured communication operations. The functions that organizations consider when reviewing their contact center requirements include, but are not limited to:

- Automatic call distribution (ACD) and computer-telephony integration
- Interactive voice response (IVR) and voice portal
- Universal queuing of Internet channels, such as email, Web chat, Short Message Service (SMS), social media and video
- The ability to support virtual operations, remote agents and subject matter experts that reside outside the traditional contact center operation
- Proactive contact, including outbound dialing, SMS and email notifications
- Customer relationship tracking, management applications and operational support applications, including reporting, analytics, self-service portals and workforce optimization (WFO)

Some of these capabilities are provided by CCaaS providers as a development of their own software, while other capabilities are provided in partnership with specialist providers (see "Magic Quadrant for Customer Engagement Center Workforce Optimization").

There generally are two types of architectures deployed in the CCaaS market:

- The first is multitenant, in which all users share a common (single) software instance.
- The second is multi-instance, in which each user receives its own virtualized software instance on shared hardware.

Both the multitenant and multi-instance architectures possess cloud characteristics of shared infrastructure (for example, provisioning tools, portals, data centers, racks, common equipment and blades); per-user-per-month, per-transaction and/or per-minute pricing; and elasticity to dynamically add and subtract users. While services based on multi-instance technology can generally support greater levels of customization, they generally do so at higher costs for both software licenses and professional services for configuration and integration, and generally require longer timelines for activating services.

To be considered for this Magic Quadrant, CCaaS platform suppliers must have the attributes that are aligned with Gartner's definitions for cloud services (see "Market Definitions and Methodology: Public Cloud Services"). A clearer definition of CCaaS can be found in the Public Cloud Communications Services section of "Use Gartner's Taxonomy for Cloud Communications to Define Service Requirements and Evaluate Offers."

In our analysis of communications as a service (see "Magic Quadrant for Unified Communications as a Service, Worldwide"), we have identified four service categories that we use to identify each provider in the Vendor Strengths and Cautions section below. The four approaches are as follows (and see the Market Overview section for more details on these categories):

- Application specialist
- Communications service provider (CSP)
- System integrator
- Software technology provider



EVALUATION CRITERIA DEFINITIONS

Ability to Execute

Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes

Magic Quadrant

Figure 1. Magic Quadrant: Contact Center as a Service, North America



Source: Gartner (October 2015)

Vendor Strengths and Cautions

8x8

8x8, headquartered in San Jose, California, is an application specialist offering its Virtual Contact Center (VCC) service based on its own purpose-built software platform. The company offers multiple versions of VCC packaged in accordance with users' requirements for size and complexity. 8x8 has historically focused on the small to midsize contact center market, but has started to win deals in larger accounts. Services are provided out of data centers in the U.S. (two), U.K., Hong Kong and Australia, and serves Canadian customers through its partnerships with Bell Canada and SaskTel. VCC supports prebuilt integrations to Salesforce, NetSuite, Zendesk, Microsoft Dynamics and Zoho, and can support custom integrations to many other CRM systems and other third-party systems using its Web services-based API tools. 8x8 started offering CCaaS in North America in 2011.

Consider 8x8 for multichannel contact center functionality in small and midsize contact centers, particularly if you want to procure CCaaS and unified communications as a service (UCaaS) from a single provider.

Strengths

8x8 can natively provide both CCaaS and UCaaS functionality, supporting single sign-on, shared presence and directories, and instant messaging through its Expert Connect integration.

All reporting data is stored in a data warehouse, supporting strong analytics for operational and customer journey insight, in addition to standard reporting data.

The company has begun offering its Elite Touch client onboarding service to address the needs of larger and more complex environments.

Cautions

The company has limited experience supporting large and very large contact center environments.

8x8's quality monitoring functionality provided on the recently acquired Quality Software Corp. (QSC) platform is not yet fully integrated into its VCC offering, and WFM is supported through a partnership with Teleopti, rather than being native on the VCC platform.

Predictive dialing functionality is provided on the recently acquired DXI platform, and is not yet fully integrated into its VCC offering.

CenturyLink

differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

CenturyLink is headquartered in Monroe, Louisiana, and is a communications service provider offering its multitenant Cloud Contact Center Solutions (CCS) based on a variety of third-party vendor technology, and centered on a Genesys v.8.0 software platform. The company has historically focused on the small to midsize contact center market, but has started to win deals in larger accounts. Most of CenturyLink's CCS products are located in central-office environments and not in data center spaces. This allows tighter network integration and more flexibility in call delivery options. Although the company prefers that CCS customers leverage CenturyLink's network services, it will also provide CCS integrated to other service providers. The company houses its CCaaS platform equipment across nine central-office locations around the U.S. CCS provides prebuilt integrations to Oracle Siebel, Oracle Service Cloud, SAP and Salesforce, and can support integrations to a variety of third-party systems using its own desktop integration tools and/or standard Genesys integration tools. CenturyLink started offering its CCaaS in 2004.

Consider CenturyLink for multichannel CCaaS, particularly for midsize deployments and those needing to support occasionally large spikes in call volumes.

Strengths

By deploying its CCS products in central offices rather than in data centers, CenturyLink's architecture can support very large bursts in call volumes by having immediate access to the required trunking assets.

Leveraging strong system failover and geographic redundancy capabilities, the company offers SLAs of 99.999% system uptime, with penalties defined for noncompliance.

CenturyLink has a strong presence in delivering CCaaS solutions to government environments.

Cautions

CenturyLink's ability to grow its CCaaS business has been hampered by a lack of brand awareness.

CenturyLink has limited experience supporting large and very large contact center environments.

The company's contact center sales overlay team is still being built and lacks experience within CenturyLink.

Five9

Five9 is headquartered in San Ramon, California, and is an application specialist offering its multitenant Virtual Contact Center (VCC) solution leveraging its own cloud platform. The company has historically focused on the small to midsize contact center market, but has started to win deals in larger accounts. Five9 offers services out of data centers in the U.S. (two), U.K. and the Netherlands. VCC supports prebuilt integrations to Salesforce, Oracle, Microsoft, NetSuite, Velocify and Zendesk, and supports an open REST-based API to integrate to a variety of other systems. Five9 started offering CCaaS in 2003.

Consider Five9 for multichannel CCaaS, particularly in midsize environments and those needing inbound, outbound and blended dialer functionality.

Strengths

Five9 has strong brand recognition in the CCaaS space, particularly for delivering small and midsize solutions, and supports among the largest number of agents relative to other providers in this research.

Five9's system configuration portal is designed around ease of use, allowing many customers to self-configure their solution without the need for technical assistance, while the company's Premium Support offering helps it to address the more demanding needs of larger and more complex contact center deployments.

The company has strong experience in supporting outbound dialer functionality, including predictive dialing.

Cautions

Five9 has less experience supporting large and very large contact center environments than a number of other providers in this research.

VCC does not include workforce optimization (WFO) functionality natively integrated into its software stack, and the company's WFO offering — based on its own hosted instance of Nice Systems software — can be more expensive and feature-rich than is needed by many of the company's small to midsize customers.

The company has limited experience supporting complex, multichannel environments.

Genesys

Genesys is headquartered in Daly City, California, and is a software technology provider offering multitenant and multi-instance CCaaS based on the same software stack that it sells to its premises-based customers. The company offers multiple versions of its Virtual Contact Center packaged in accordance with users' requirements for size and complexity. Genesys offers services out of data centers in the U.S. (two), Canada, the U.K., the Netherlands, Singapore and Australia. The company supports out-of-the-box integrations with Salesforce, Oracle Service Cloud, NetSuite and Zendesk. It also utilizes RESTful APIs for third-party and back-end system integration, and offers an extensive list of Gplus adapters for specific third-party CRM and WFM systems. Genesys began offering CCaaS in North America in 2013.

Consider Genesys for multichannel CCaaS across a variety of deployment sizes, and particularly when looking to migrate premises-based Genesys investments to cloud-based services.

Strengths

Through its 2013 acquisition of Echopass, Genesys has a strong ability to support large and complex enterprise environments, although the company has begun to execute on efforts to penetrate small to midsize environments requiring a range of levels of complexity.

Genesys leverages the same software stack across its Premier Edition (cloud-only), Business Edition (on-premises or cloud) and Enterprise Edition (on-premises or cloud) offerings, enabling the company to also support hybrid on-premises/cloud deployments.

Genesys has a good ability to support customers with multinational coverage requirements.

Cautions

Despite strong brand awareness for its premises-based solutions, Genesys has yet to drive significant brand awareness in the CCaaS space.

Due in part to the company's strong reputation for supporting large and complex premises-based solutions, and the relative newness of the Genesys Premier and Business Edition offerings for the cloud, Genesys is often overlooked by Gartner clients evaluating CCaaS for smaller and less complex environments.

Some of Genesys' customer references (all with 300 or more seats) reported lower satisfaction ratings as compared to those of other providers' references.

inContact

inContact is headquartered in Salt Lake City, Utah, and is an application specialist offering its multitenant CCaaS solution leveraging its own purpose-built platform. The company has historically focused on the midsize contact center market, but has begun winning deals in larger environments over the past several years. inContact offers its services out of data centers in the U.S. (two), U.K., Germany (two), Hong Kong and the Philippines. It offers prebuilt integrations to Salesforce, Oracle Service Cloud, Oracle Siebel and Zendesk, and provides REST- and SOAP-based open APIs for integrating with a variety of third-party systems. inContact started offering CCaaS in North America in 2002.

Consider inContact for multichannel CCaaS, particularly for midsize and larger deployments, and when looking to bundle CCaaS and carrier services.

Strengths

inContact has strong brand recognition in the CCaaS space, particularly for delivering midsize solutions, and supports among the largest number of agents relative to other providers in this research.

The company has done a good job at developing channel partnerships, including with companies such as Verizon, AT&T, RingCentral, Black Box, Strategic Products and Services (SPS) and Carousel Industries, enabling enterprises to access inContact services through a variety of means.

inContact owns a global, geographically redundant carrier-grade network, and its voice as a service (VaaS) for contact centers includes flexible connectivity options at competitive rates.

Cautions

Although gaining traction in selling into larger contact center environments, inContact does not have strong brand recognition in this space and has yet to establish a track record for delivering these solutions.

The company's WFO solution — based on Verint's application stack — can be too costly and feature-rich than is needed by many of its smaller customers. The Uptivity WFO suite is offered only as a single-tenant cloud solution today, and its Uptivity WFM solution only supports basic WFM functionality for small and midsize contact centers.

Some Gartner clients have reported frustrations in working with inContact, resulting from a lack of account management attention and/or working with lesser-skilled customer support resources, although these instances appear to be largely due to the company's rapid growth.

Interactive Intelligence

Interactive Intelligence is headquartered in Indianapolis, Indiana, and is a software technology provider. The company offers multi-instance CCaaS, branded as Communications as a Service, based on the same software stack that it sells to its premises-based customers. It also offers multitenant CCaaS based on its recently introduced PureCloud offering. The company has a strong reputation for supporting contact centers of various sizes and levels of complexity. Interactive Intelligence offers its services out of data centers in the U.S. (two), Canada (two), the U.K., Germany, Australia (two), Brazil and Japan (two). It offers prebuilt integrations to Salesforce, Oracle Siebel, Oracle Service Cloud, SAP, Microsoft Dynamics and Heat Software, and provides a REST-based API for integrating to a variety of third-party systems. It also can support SAML to deliver single sign-on integration to a variety of back-end systems. Interactive Intelligence began offering CCaaS in North America in 2009.

Consider Interactive Intelligence for CCaaS for midsize to very large deployments, and particularly for environments that require significant customization.

Strengths

The company has strong experience and brand awareness in midsize, large and very large deployments.

CCaaS can be deployed in a hybrid model in which media servers can be deployed in the customers' data centers, enabling trunks to terminate at the customers' locations and for call recordings to be stored on-site.

Interactive Intelligence has a good ability to support customers with multinational coverage requirements.

Cautions

The company's PureCloud offering is still new to the market, and is as yet unproven as an enterprise CCaaS platform.

The company lacks experience and brand awareness in small contact center deployments.

Some Gartner clients have reported frustrations in working with Interactive Intelligence, resulting from relying on lesser-skilled customer support resources, although these instances appear to be largely due to the company's rapid growth.

LiveOps

LiveOps is headquartered in Austin, Texas, and is an application specialist offering its LiveOps Engage multitenant CCaaS solutions on its own purpose-built platform. The company's CCaaS business grew out of its original business offering contact center business process outsourcing (BPO) services via work-at-home agents. LiveOps has experience supporting customers of all sizes, and offers its services out of data centers in the U.S. (two), U.K., the Netherlands, Australia and Singapore. LiveOps Engage offers prebuilt integrations to Salesforce, Zendesk, Microsoft Dynamics, SugarCRM, Zoho and Saleslogix, and provides open APIs for integrating to a variety of third-party systems. LiveOps began offering CCaaS in North America in 2000.

Consider LiveOps for CCaaS spanning a wide variety of deployment sizes, including those needing to support more than 1,000 agents.

Strengths

LiveOps has experience supporting very large deployments.

The company can leverage its BPO history to assist with best practices in areas such as hiring staff and work-at-home deployments.

LiveOps bundles in telco services with its core offering, enabling services to be activated quickly and supporting environments that experience significant bursts in call volumes.

Cautions

While the company's new LiveOps Engage platform is designed to be more flexible and feature-rich than its original platform, it is still new to the market and lacks a track record of performance.

The company is not considered by Gartner clients as frequently as a number of other providers evaluated in this research due primarily to a lack of brand awareness in the CCaaS space.

LiveOps has experienced significant senior management turnover throughout its history, including recently, making it challenging for the company to deliver on growth strategies that take time to execute.

TeleTech

TeleTech is headquartered in Englewood, Colorado, and is a system integrator offering multitenant and multi-instance CCaaS based largely on either Cisco or Avaya technology. TeleTech primarily serves the midsize to large contact center market, but has begun to win some deals supporting more than 1,000 agents. The company offers its services out of data centers in the U.S. (three), U.K. (two) and Singapore. TeleTech supports prebuilt integrations to Salesforce, Oracle Siebel, SAP, Microsoft Dynamics and Oracle Service Cloud, as well as leveraging custom integration tools from Cisco, Avaya and their partners for integrating to a variety of third-party systems. TeleTech began offering CCaaS in North America in 2012.

Consider TeleTech when looking to access Cisco or Avaya contact center technology on a CCaaS and UCaaS basis, particularly in midsize and large contact center environments.

Strengths

TeleTech has strong consultative sales and system integration capability through its acquisitions of eLoyalty (a significant Cisco channel partner) and Technology Solutions Group (TSG; a significant Avaya channel partner).

The company's proprietary icPortal provides a simplified management portal for its Cisco-based CCaaS, and will eventually be the consistent management portal for its Avaya-based services as well.

TeleTech has experience bundling CCaaS and UCaaS services for customers requiring a greater breadth of functionality, scale and reliability.

Cautions

TeleTech's ability to grow its CCaaS business has been hampered by a lack of brand awareness.

The company lacks an established track record for delivering CCaaS.

Both its Cisco- and Avaya-based solution stacks frequently require integration with third-party technology, adding cost and complexity to the deployments.

Transera

Transera is headquartered in Sunnyvale, California, and is an application specialist offering multitenant CCaaS on its own purpose-built software platform. The company has historically focused on servicing large and very large complex contact centers, but has begun to execute in the midsize contact center space in recent years. Transera offers its CCaaS out of data centers in the U.S. (two), U.K., the Netherlands and Japan. The company supports prebuilt integrations to Salesforce, Oracle Service Cloud and Zendesk, and supports RESTful APIs for integrating to a variety of third-party systems. Transera began offering CCaaS in North America in 2007.

Consider Transera when looking to support contact centers in a variety of sizes, and especially in large and very large complex deployments.

Strengths

Transera has a strong ability to analyze and leverage structured and unstructured enterprise data to support business-intelligence-driven contact routing decisions in real time. A simple example is its ability to prioritize calls from customers who previously abandoned a call while waiting in queues.

The company's CCaaS solution can function as a stand-alone platform or can overlay existing contact center infrastructure, enabling consistent routing, business rule decisioning and reporting across an enterprise's entire contact center operations, including BPO services.

Transera has strong consultative sales and system integration capability.

Cautions

Transera is not considered by Gartner clients as frequently as a number of other providers evaluated in this research, due primarily to a lack of brand awareness in the CCaaS space.

The company lacks a track record for supporting midsize and less complex contact center environments.

Transera has a small direct sales force and is still growing its channel partner program, limiting its ability to expand its presence in the rapidly growing CCaaS market.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors or providers in any Magic Quadrant may change over time. A provider's appearance in a Magic Quadrant one year and not the next does not necessarily indicate that we have changed our opinion of that provider. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that provider.

Added

This is a new Magic Quadrant. As such, all providers are new this year.

Dropped

This is a new Magic Quadrant. As such, no providers have been dropped this year.

Inclusion and Exclusion Criteria

To meet Gartner's definition of CCaaS and be included in this Magic Quadrant, solution providers must show all of the following capabilities:

Providers must support a minimum installed base of 15,000 enterprise CCaaS agent seats in North America (not including BPO/contact center outsourcing customers) and a minimum of \$15,000,000 in annual CCaaS software revenue (revenue excluding network/telecom service and professional services).

Providers must be able to provide five enterprise reference customers that support more than 300 concurrent agents, and demonstrate using a broad set of the contact center functionality defined in the Market Definition/Description section of this research.

Services may be offered on multitenant platforms (the provider operates a single software instance on which all customers are supported, or multi-instance, utilizing separate server software instances for each customer, but supported on shared system server hardware). Contact center seat license ownership must be retained by the service provider. Customer contracts must allow for usage elasticity (enabling customers to scale agent license counts up or down as usage demands change — and contracts may define minimum agent counts that must be maintained).

At least 50% of licenses and/or license revenue must be inbound voice agent licenses (ACD). Other licenses may include outbound voice (predictive, progressive or preview dialing), routing of nonvoice interactions (including email, Web chat, SMS, social media, video or other channels), IVR/voice portal, WFM, call and/or desktop recording and analytics, knowledge management, workflow routing of noninteraction work items, integration to customer tracking (CRM) and other enterprise databases, and real-time and historical tracking and analytics, among others.

Hybrid services (see "Use Gartner's Taxonomy for Cloud Communications to Define Service Requirements and Evaluate Offers"), in which some applications are operated on customer-owned premises-based equipment, while other applications meet the other criteria described herein, are included; however, only the licenses and revenue that meet Gartner's CCaaS definition will be considered part of this market evaluation.

Critically, CCaaS does *not* include:

Hosted contact center services (in which system hardware and software are dedicated to individual customers) and the right to use licenses are assigned to customers.

Managed services (in which the hardware and software are dedicated to a particular customer, run on the customer's premises and are managed by a third-party service provider).

Evaluation Criteria

Ability to Execute

The CCaaS market in North America is in the early stages of growth, which influences the criteria

weightings described below. We regard all Ability to Execute criteria as important in this early market evolution:

Product or service: The product platform should encompass the ability to offer, on a consumption basis, all contact center services expected in a suite platform (IVR and speech, inbound and outbound multichannel contact routing, WFO, and analytics). This should be encompassed in a self-service capability to implement, manage, revise and report on operational performance.

Overall viability: Few cloud service providers are profitable currently. They report strong growth in deferred revenue because of the utility license model, but need to have enough capital to build out the infrastructure to support new customers.

Sales execution/pricing: In this early market opportunity, it is imperative to "get ahead" with new customer logos.

Market responsiveness/record: With a number of new entrants to the CCaaS market taking market share, it's clear that being an established player is not a major advantage in securing new business.

Marketing execution: Being "the best-kept secret" does not support the sales opportunity to "get ahead" in an early market opportunity. A comprehensive marketing program of communication and influence is key to being invited to bid for service.

Customer experience: A differentiated customer experience can be a winner for suppliers in growing and maintaining their CCaaS business. In a developing market, however, it is not something that has sufficient mind share to greatly influence buying decisions.

Operations: This is a service. Customers expect to hand over the management of contact center infrastructure to a partner that will deliver a service that is as good as, but ideally better than, what the customer can deliver themselves. This is a critical front-office operation and organizations need the confidence factor of strong operations to support their customer service needs in all of the countries of operation.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	High
Market Responsiveness/Record	Medium
Marketing Execution	Medium
Customer Experience	High
Operations	Medium

Source: Gartner (October 2015)

Completeness of Vision

The CCaaS market in North America is in the early stages of growth, where long-term success is influenced by a strong vision for growth. We regard all Completeness of Vision criteria as important in this early market evolution:

Market understanding: A key requirement of market success is to understand the role the contact center plays in organizations' customer service strategies and how it relates to other capabilities.

Marketing strategy: Communicating a differentiated strategy in an emerging market where technology is largely the same is key to winning early mind share with new prospects.

Sales strategy: Attaining the optimum balance of a direct and indirect approach to the market is important where the cost of sales can be very high and compensation impacts cash flow.

Offering (product) strategy: This criterion is the approach to product and service development and delivery that highlights industry requirements, and the speed at which differentiated or innovative services are added to the platform.

Business model: This criterion is the relevance of the commercial model in how it proposes to leverage direct sales with channel distribution in order to scale the market availability of the service.

Vertical/industry strategy: A specific focus on vertical markets or industries is an opportunity to increase mind share in key, target markets, rather than having a horizontal, all-encompassing market vision.

Innovation: This criterion is the vision to see the opportunities to differentiate services for customers, either as an in-house development or with innovative partners.

Geographic strategy: This criterion is the strategy to develop both service and sales strategy to grow outside home markets and target the larger audience — a key requirement in meeting a Pan-European organization's contact center needs.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	High
Marketing Strategy	Medium
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	Medium
Vertical/Industry Strategy	Medium
Innovation	Medium
Geographic Strategy	Medium

Source: Gartner (October 2015)

Quadrant Descriptions

Leaders

Given that the CCaaS market in North America is still maturing, Leaders can best be described as suppliers with a strong multichannel product and service capability, and that have already amassed a large installed base of both large and small customers. They also benefit from being able to support varying levels of deployment complexity, including multichannel deployments and integration to a variety of third-party systems.

Challengers

Challengers may also have large installed bases of customers, although typically not as large as those seen in the Leaders quadrant. These providers may have more noted strength in serving customers in particular size segments. They generally are lacking the CCaaS brand awareness enjoyed by those in the Leaders quadrant.

Visionaries

Visionaries are suppliers with strong multichannel product and service capabilities. They differentiate themselves based on adding unique functionality and/or delivery capabilities.

Niche Players

Niche Players are suppliers that may be quite large, but have decided to focus on a particular market opportunity, a set of solutions or vertical markets. Their products and services may still be undergoing product development or relying heavily on partners to complete the overall service proposition. Niche Players also are likely to be newer market entrants, or they have yet to build scale in their customer base.

Context

In reviewing enterprise client inquiries (CCaaS is a topic of discussion in approximately 40% of inquiries from Gartner end-user enterprise clients in North America), we see demand in the CCaaS market as creating its own natural stratifications based largely on deployment size. Following is a description of these strata:

Small deployments (typically five to 20 agents): These deployments typically are very basic in nature, often requiring only phone-based "call center" functionality (using basic menu trees to make call routing decisions and first-in, first-out call queuing), sometimes requiring basic call recording and possibly low-complexity email and/or Web chat routing. These accounts may or may not require the ability to support basic CTI screen-pop, but they rarely require call routing based on customer data. While most of the providers covered in this research have the ability to service these accounts, most do not put significant business focus on them, as there is typically little profitability in servicing these accounts due to heavy price competition resulting from the lower technology barriers to entry.

Midsize deployments (typically 21 to 300 agents): These deployments typically have more sophisticated requirements than those seen in smaller deployments, often requiring support for more feature-rich multichannel routing, broader WFO functionality and frequently needing to embed their contact-handling functionality for agents within a CRM vendor's agent desktop interface. Although these are typically North America-only deployments, it is not uncommon for them to have some level of requirement to include support for agents in other geographic regions. These deployments also will often require some level of customization of the contact routing schemas to accommodate business rules unique to their particular environments. However, the level of customization is typically less than that seen in the larger strata.

Large deployments (typically 301 to 1,000 agents): These deployments tend to have traits similar to those seen in midsize deployments, although often require greater levels of customization, and more frequently require multinational support. It is important to note that the 301 agent count defining the lower end of this grouping is largely influenced by the level of comfort seen in Gartner clients in considering CCaaS solutions relative to premises-based ones. We fully expect to see the breakpoint between midsize and large deployments move up as CCaaS solutions continue to gain acceptance in the market and as providers can increasingly supply reference customers with higher agent counts.

Very large deployments (more than 1,001 agents): These deployments are typically similar to those seen in large deployments, although often having even greater requirements for customization and multinational support. Also similar to large deployments, there appears to be yet another "psychological hurdle" for clients to overcome in becoming comfortable with trusting CCaaS

providers with supporting environments of this size.

It should be noted that Gartner does not see significant differences in demand by vertical market. Architecturally, the elasticity and scale of cloud favor organizations that have to manage unplanned contacts. Service outages in public services are a key example of where CCaaS is proving to be advantageous.

Market Overview

The North American contact center infrastructure market is a mature market, with the majority of deployments being replacements of older existing systems. The premises-based contact center market has shown flat-to-declining growth over recent years. In contrast, the CCaaS market has been growing rapidly — although it must be recognized that, with the CCaaS market being somewhere around 10% to 15% the size of the premises-based market, it is much easier for the CCaaS market to show impressive growth percentages. And while many of the leading market share holders in the premises-based market have shown years of declining shipments, the majority of the CCaaS providers in this research have experienced year-over-year growth rates of 20% or more for several years in a row. Indeed, as contact center decision makers in North America show an increasing preference for CCaaS solutions, many of the traditional premises-based vendors have entered or are actively pursuing a presence in the CCaaS market, whether through organic business efforts, acquisitions or partnerships. However, to date, many of the traditional premises-based vendors have been challenged to make this transition, as it creates challenges not only in having to alter business models and practices that have been in place for decades in some cases, but also in requiring often painful changes in revenue recognition and sales compensation models. This, in part, helps to explain why the predominance of vendors included in this Magic Quadrant did not emerge from the premises-based contact center market.

Market Drivers and Inhibitors

The drivers and inhibitors of market demand in the CCaaS space are similar to those seen in other markets that are shifting to "as a service" delivery models. These include:

Drivers

Capital expenditure (capex) to operating expenditure (opex): Many companies currently operate older premises-based platforms that require expensive upgrades. Shifting from a capex purchase model to an opex purchase model can make replacing the system more affordable than doing an upgrade.

IT focus on core business: As contact center systems become more feature-rich, they often become more complex to manage. Many corporate IT staffs are opting to focus their efforts on managing core infrastructure (Mode 1 services) while looking to outside expertise to support departmental applications (Mode 2 services).

License count elasticity: For contact centers that experience significant seasonality in their staffing requirements, the ability to adjust agent license counts up and down monthly to meet requirements can, in some cases, deliver significant cost savings.

Rapid deployment: Some enterprises find themselves needing to stand up a brand-new contact center on short notice, whether it's because they need to support a new business demand, or because they have delayed critical infrastructure upgrades to the point where their current system will not be supported for much longer. Deployment times for CCaaS solutions, including environments requiring customization, typically are much shorter than those for premises-based deployments or major upgrades.

Ability to trial new functionality: The investment of money and effort in deploying new and unproven functionality (such as adding new communication channels) on a trial basis often can be prohibitive for premises-based deployments. By contrast, trialing new capabilities in a CCaaS model frequently can be done more quickly and at a lower cost; also, because licenses are committed to for a short period of time, the cost of a "fast fail" deployment can be significantly reduced.

Support for discrete contact center operations: Some enterprises have the need to support discrete operations, such as a small help desk or collections team whose operations and technology requirements are different from those of the larger core customer service operations. CCaaS can provide a lower-cost and lower-effort approach to supporting smaller and more independent contact center operations within a larger environment.

Inhibitors

Total cost of ownership (TCO): Some contact center decision makers presume that, while the initial acquisition costs of CCaaS solutions will be lower than those for premises-based solutions, in the longer term, the CCaaS solutions will prove to be more expensive as monthly recurring charges add up. While this will be true in some situations, it will not always be the case — such as in environments with significant seasonality in their staffing requirements, or environments where IT head count can be significantly reduced by shifting responsibilities to the CCaaS provider's staff.

Customization: Some contact center decision makers believe that CCaaS offerings are inherently standardized in nature and cannot be customized to the extent implemented in the premises-based systems that they typically are replacing. In truth, the ability to customize the CCaaS functionality in order to meet a specific enterprise's needs varies by provider, and some can provide highly customized solutions.

Scalability: As mentioned earlier, some contact center decision makers may presume that CCaaS solutions cannot scale to meet the demands of larger contact centers; however, we are now seeing CCaaS deployments supporting several thousand agents.

Security: Some contact center decision makers presume that CCaaS providers cannot support the stringent levels of security required in the handling of sensitive customer data; however, Gartner often finds that CCaaS providers typically support more rigorous security practices than enterprise IT

organizations do in practice.

Operational disruption: Enterprises often can minimize the disruption of their operations by upgrading existing premises-based systems rather than replacing them with other vendors' systems (whether premises-based or CCaaS-based). In large deployments, this often can be a compelling argument to stay with an existing vendor. This benefit must be evaluated in context with other drivers and inhibitors, because this approach may impede a contact center's ability to adapt to changing customer and enterprise requirements in the longer term. In some cases, the enterprise can minimize the disruption by staying with its existing vendor, but moving from its premises-based solution to its CCaaS solution (where available).

Types of Providers

Gartner groups providers of CCaaS offerings into four main categories:

Communications service providers (CSPs) include companies such as CenturyLink. These are the legacy network service providers with core strength in voice and data services.

Software technology providers include companies such as Genesys and Interactive Intelligence. All of these well-established vendors now provide a CCaaS offering, and many of them market their solutions directly to end users.

Application specialists include companies that are both the platform provider and the service provider, such as 8x8, Five9, inContact, LiveOps and Transera.

System integrators include companies such as TeleTech (through its acquisitions of eLoyalty and TSG). System integrators usually provide CCaaS by running commercial unified communications applications (often Avaya, Cisco or Genesys) out of their own data centers.

In some cases, a given company may have attributes that fit into multiple types of CCaaS providers. Gartner categorizes such companies in the group to which they are most aligned.

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