



Stretching the Customer Experience Budget

CX leaders are leveraging technology to deliver stellar customer service from a transformed workplace

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Robin Gareiss
CEO & Principal Analyst
Metrigy

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Executive Summary

Customer experience (CX) leaders have been turning to technology to improve customer interactions for years. But those initiatives accelerated and became transformative in 2020, as agents moved to their home offices and interaction volume increased or became extremely volatile, according to our *Customer Experience Transformation: 2020-21 Research Study* of 700 organizations in North America, Western Europe, and Asia-Pacific.

As our research participants—many initially skeptical—realized the benefits of work-from-home (WFH) policies, more than half have decided to continue with WFH indefinitely. Not surprisingly, CX leaders are re-thinking how remote agents can deliver the best possible customer service, particularly with investments in Artificial Intelligence (AI), changes in hiring strategies, sales quotas and other Key Performance Indicators (KPIs), and changes in outsourcing of agents.

Spending is another area of consideration, as CX and IT leaders navigate new budgets to support a remote workforce and changing customer needs. Many industries saw drastic increases and volatility in their contact center volume. Consequently, organizations adopted technology to move the needle on business metrics. For example, those who integrated their Unified Communications (UC) and contact center platforms reported a 56.7% increase in customer ratings and a 19.7% decrease in operational costs. The new technology strategies include the following:

- Adopting new, integrated interaction channels
- Integrating the contact center with various enterprise systems, such as Customer Relationship Management (CRM), UC, Enterprise Resource Planning (ERP), and analytics
- Offering AI-assisted, self-service knowledge bases
- Using agent analytics to improve agent performance
- Adding customer-facing virtual assistants
- Leveraging customer analytics to document success or the need for improvement

Research Success Group

This paper is primarily based on our *Customer Engagement Transformation: 2020-21 Research Study* of 700 organizations in North America, Western Europe, and Asia-Pacific. We ask all participants for their before-and-after business metrics on revenue, cost, customer ratings, and/or agent productivity for projects that use artificial intelligence (AI) or AI-enabled analytics. Not all participants had completed such projects or measured success.

Among the 277 who did, we calculated their percentage improvement in any of the aforementioned business metrics. The resulting “success group” includes 157 of the research participants whose success percentages were in the top 50% in any of the four metrics. Another 120 in the “All Others” group measured success, but were not in the top 50% of any metric. In this report, we highlight success group decisions that were markedly different than others. (Please see full methodology at the end of the report.)

The Transformed Workplace

The contact center changed forever, starting in March 2020 when the COVID-19 pandemic shelter-in-place orders began. Agents moved to home offices with the thought that they would be back to the contact center facilities within weeks. It didn't take too long to realize the agents would continue to work from home, perhaps permanently, as companies began seeing benefits with work-from-home (WFH) agents.

By fourth quarter 2020, 70.1% of our research study participants still had 75.0% of their agents working from home. And, 56.8% of the organizations already have decided that agents will continue to work from home either full or part time, and another 35.6% are still evaluating what they will do. Only 7.6% have decided they will not continue with a WFH policy when the pandemic subsides. (Please see Figure 1.)

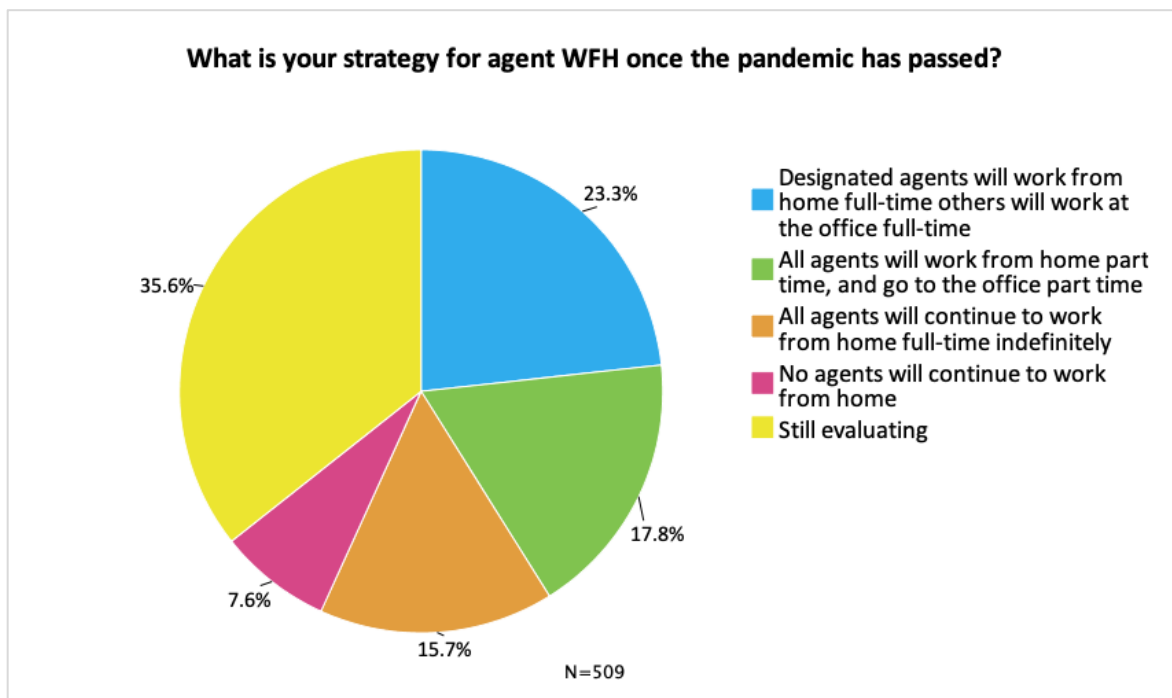


Figure 1: WFH Strategy Once Pandemic Has Passed

Changes Resulting from the New Workplace

Not surprisingly, a swift and drastic change to contact center workplaces has resulted in fundamental changes to technology adoption, hiring, and job functions, according to our study. When asked for key areas of change specifically attributed to the changing workplace, research participants cited the following (320 total answered the question):

- **Use of artificial intelligence (AI):** The largest percentage (56.9%) of participating organizations use AI, including virtual assistants, Natural Language Processing (NLP), transcription, and sentiment analysis, to help agents manage customer interactions.

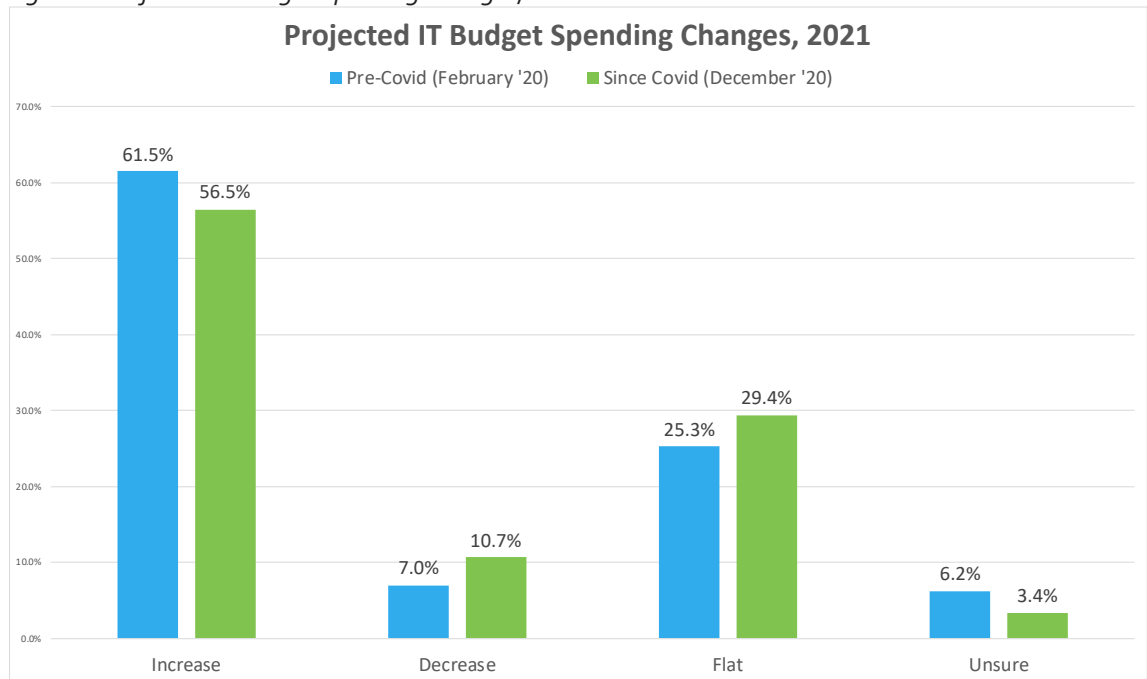
Another 54.1% use AI to enable customers to address their own issues, typically in conjunction with self-service knowledge bases.

- **Changes in hiring:** The majority of organizations (55.5%) said they need more agents to support the volume of customer calls and interactions coming into their contact centers. In addition, 47.0% of CX leaders noted that they are now able to hire from any location because of WFH—an important development for organizations looking to save money by hiring in less-expensive geographies.
- **New KPIs:** Sales quotas are now part of the agent KPI portfolio in 45.8% of companies. With customers not visiting physical locations, business leaders in various industries (retail and banking at the top of the list) had to quickly train customer service agents to upsell and cross-sell to make up for lost revenue. Some also added this KPI to cover increased IT costs.
- **Changes in outsourcing:** In 37.5% of organizations, offshore outsourcing increased to help respond to increased contact center volume and/or to fill in the gaps for agents who couldn't work because of illness or having to take care of family members. At the same time, 34.1% of organizations had to replace offshore agents with those in their home countries because of infrastructure and connectivity problems at remote offices.

Changes in Spending

Given this transformed workplace, budgeting has become an art—with some companies spending only on technologies that advance WFH, others investing heavily in improving agent and customer experience (CX), and still others reducing overall IT spending.

Figure 2: Projected IT Budget Spending Changes, 2021



The number of companies increasing their IT budgets has decreased since the COVID-19 pandemic lockdowns. As Figure 2 shows, prior to the lockdowns, 61.5% of companies planned to increase their 2021 IT budgets.¹ By the end of the year, that figure dropped to 56.5%.² In a separate study³ conducted just two months in the pandemic lockdowns, 52.7% of companies said they were increasing their IT budgets specifically to invest in WFH technologies. The percentage of organizations decreasing their IT budgets increased from 7.0% prior to the pandemic to 10.7% by the end of 2020. The average 2020 IT budget amongst our research participants is \$119 million, or \$12,190 per employee and 7.6% of revenue.

Overall, research participants are spending \$27.4 million per year on CX products, services, and applications, including contact center, customer service, customer engagement (applications for loyalty programs and personalization), customer satisfaction analytics, and CRM. This averages to \$5,047 per employee and accounts for 3% of overall revenue, according to the *Customer Experience Transformation: 2020-21 Research Study*.

The Spending Predicament

CX leaders facing cost cuts are in a predicament because while budgets are decreasing, demands are increasing. Contact center interactions have increased substantially since COVID-19 began because customers do not go into physical locations. This has affected industries such as healthcare with telehealth visits, financial services with investors looking for answers on the pandemic’s impact on their investments, and retail with online ordering interactions.

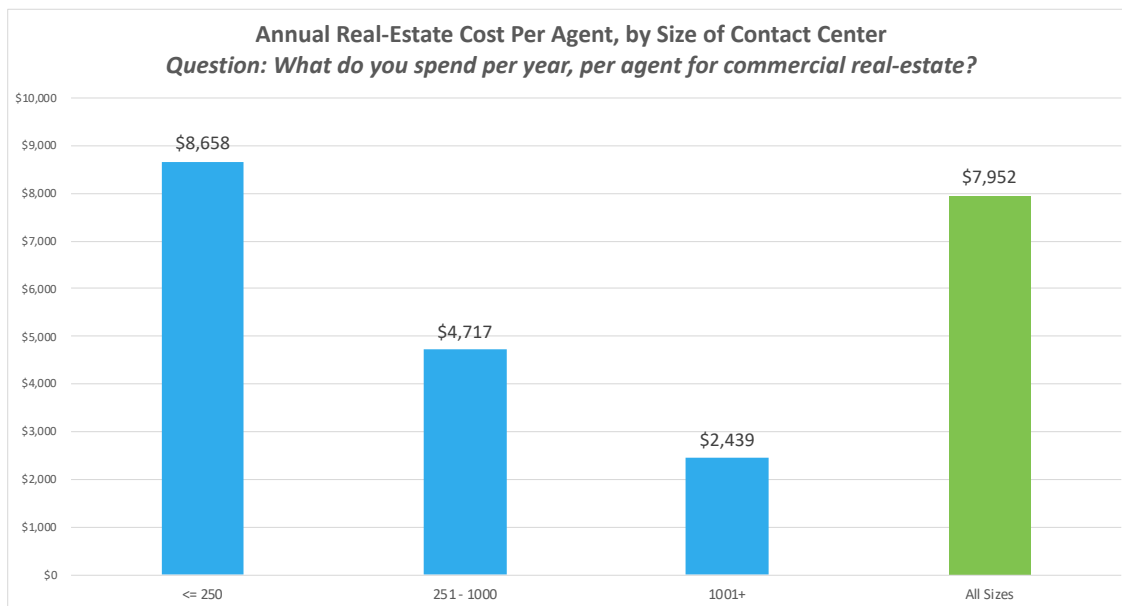


Figure 3: Annual Real-Estate Cost Per Agent, by Size of Contact Center

¹ Metrigy Cost-Benefit Analysis: 2020-21 Research Study of 564 organizations, conducted in February 2020.

² Metrigy Workplace Collaboration: 2020-21 Research Study of 476 organizations, conducted in December 2020

³ Metrigy Visual Communications and Collaboration: 2020-21 Research Study of 528 organizations, conducted in May 2020

Contact centers are challenged to handle the increase in and volatility of customer interactions, so they need more agents, more intuitive technology that can address customer concerns, or a combination of both. They also are evaluating a reduction in commercial office space. In fact, 39.4% of companies already are reducing their office space because of WFH success. The amount of savings varies by size of contact center, but averages \$7,952 per agent annually. (Please see Figure 3.) During interviews, several said they would apply the savings to CX technologies.

Technology Drives Efficiency

CX leaders are deploying or expanding various technologies to help make remote operations more efficient. By adding new applications, interaction channels, and analytics, along with integrating systems, CX teams are demonstrating measurable business impact, including reduced operational costs and improved customer ratings.

Integrated Interaction Channels

Organizations are increasing the number of channels available for customer interaction. In 2019, they had an average of five channels.⁴ In 2020, that’s increased to 6.6. Among those growing the fastest from 2019 to 2020: mobile business chat (up 42.7%), voice (up 20.2%), video (up 15.8%), social media (up 13.2%), and in-app (up 12.0%). Among those declining: Webchat (down 4.7%), SMS (down 6.4%), and email (down 13.0%).

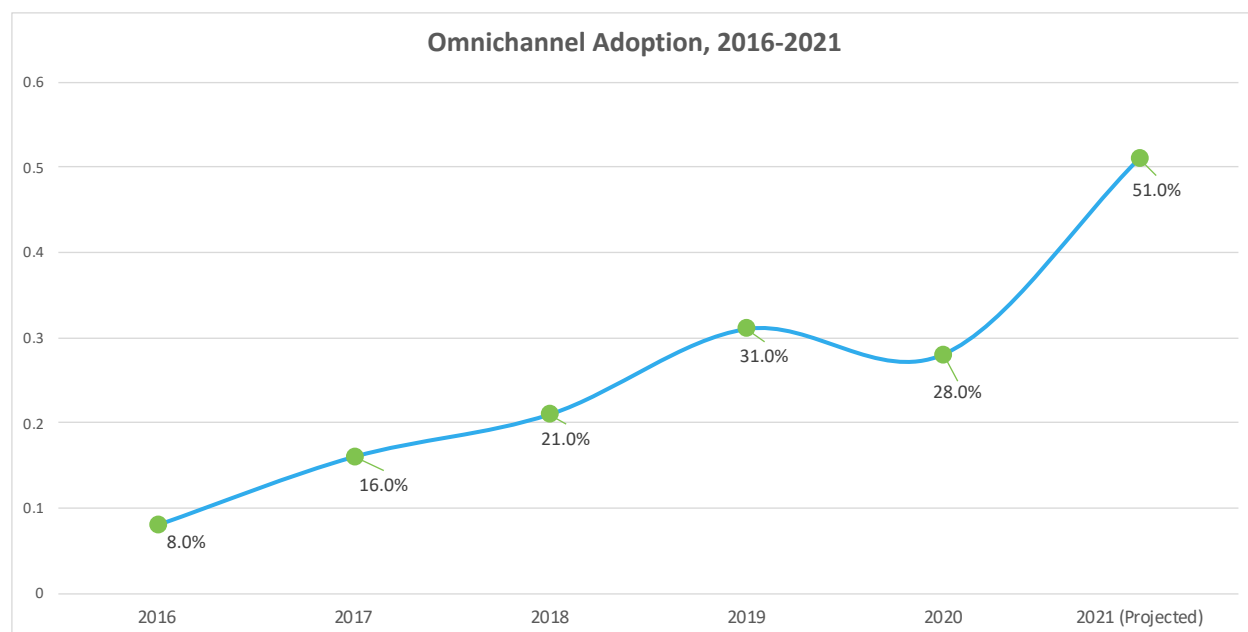


Figure 4: Omnichannel Adoption, 2016-2021

⁴ Source: Metrigy Intelligent Customer Engagement: 2019-20 Research Study of 564 organizations

Of course, when adding interaction methods, it’s vital that they’re integrated using omnichannel to enable persistent interactions across multiple channels. Unfortunately, just 27.8% of the research participants said they have omnichannel implemented, when asked: “What is your state of deployment for omnichannel capabilities?” Our 2019 research study projected that omnichannel adoption would grow to 48% in 2020, but the pandemic put plans on hold for many companies. Now that the initial shock of the pandemic has worn off, omnichannel implementation projects have ramped up, with the total adoption now projected to reach 51% by the end of 2021. (Please see Figure 4.)

Because of the limited in-person business from COVID-19, companies had no choice but to use more voice and video in 2020. As CX teams evaluate the mix of channels as business returns to normal, they will reduce operational costs by addressing more interactions via digital capabilities vs. voice or video. For example, the cost to resolve an issue using webchat or SMS is lower than using voice or video, research participants anecdotally told us. This is primarily because agents communicating over webchat or SMS can handle multiple interactions at the same time, while voice and video is limited to one at a time.

Integrated Systems

Organizations also are integrating their contact center platform with other enterprise applications, including UC, CRM, analytics, and ERP.

When we asked 471 research participants: “What are your plans to integrate your contact center and UC platforms,” 62.9% had completed integration or planned to integrate by the end of 2020. Such integration allows them to leverage the expertise of any employee to help resolve a customer inquiry. Also, agents and supervisors are using team collaboration workspaces to communicate about projects, customers, and performance.

Change in Business Metrics With Contact Center/UC Integration				
Business Metric	Small	Midsize	Large	All Sizes
Revenue increase	40.8%	109.0%	55.5%	86.5%
Cost decrease	-33.3%	-13.0%	-11.5%	-14.0%
Customer ratings improvement	78.3%	48.3%	24.0%	46.5%

Figure 5: Change in Business Metrics With Contact Center/UC Integration

Overall, companies find success when they integrate their contact center platforms with other applications. Those who have integrated their UC and contact center platforms reported an 86.5% revenue increase, a 14.0% cost decrease, and a 46.5% customer ratings improvement. Figures vary by company size, with midsize organizations (250-2,500 employees) showing the most success with revenue, small (fewer than 250 employees) showing the best success with operational costs, and small also showing the biggest improvement in customer ratings.

Other integrations include contact center with CRM (73.4% by the end of 2020), ERP (60.1% by the end of 2020) and analytics (56.5% by the end of 2020).

AI-Assisted, Self-Service Knowledge Bases

AI-assisted, self-service knowledge bases are a key addition to technology strategies. The more customers can serve themselves, the lower the cost to the company and the more agents can focus on handling more complex interactions. AI delivers guidance as customers navigate through the knowledge base. Figure 6 below shows the planned, rapid increase in self-service utilization by comparing the percentage of actual (for “current transactions”) and anticipated self-service transactions from our 2019 and 2020 studies⁵.

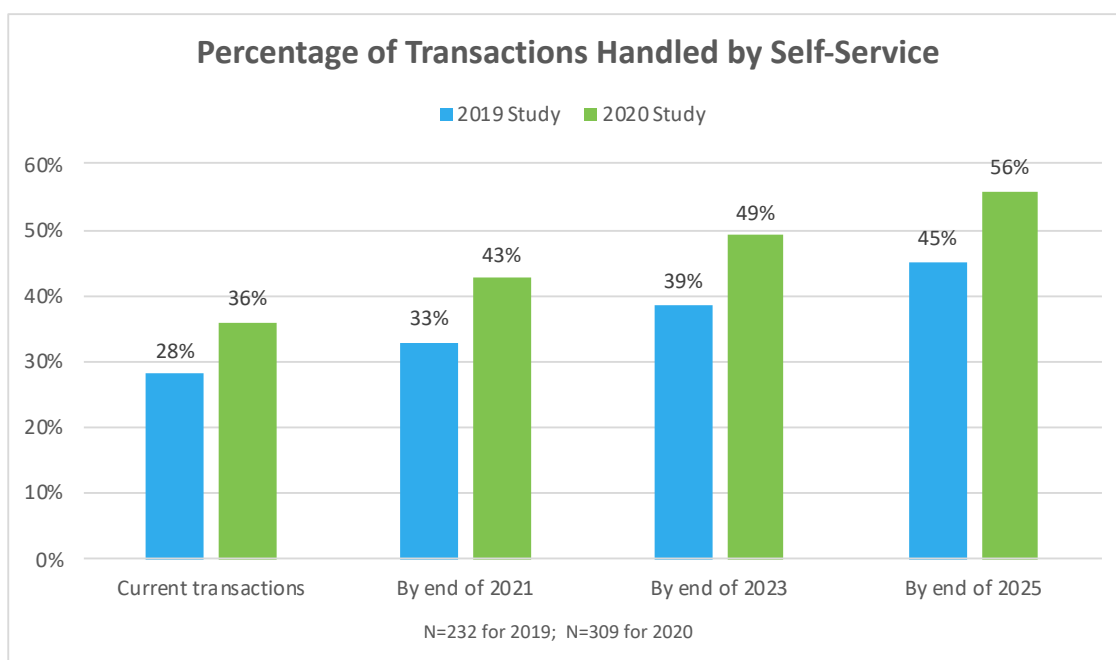


Figure 6: Percentage of Transactions Handled by Self-Service

Agent Analytics

By adding agent analytics, organizations can improve the agent experience. That, in turn, reduces turnover and the associated costs of hiring new agents. In fact, agent analytics is the most-used AI software application for customer experience initiatives in this year’s research study, with 45.4% of research participants using it by the end of 2020 and another 30.8% planning to use it by the end of 2021. (Please see Figure 7.)

⁵ 2019 study = Metrigy Intelligent Customer Engagement; 2020 study = Customer Engagement Transformation

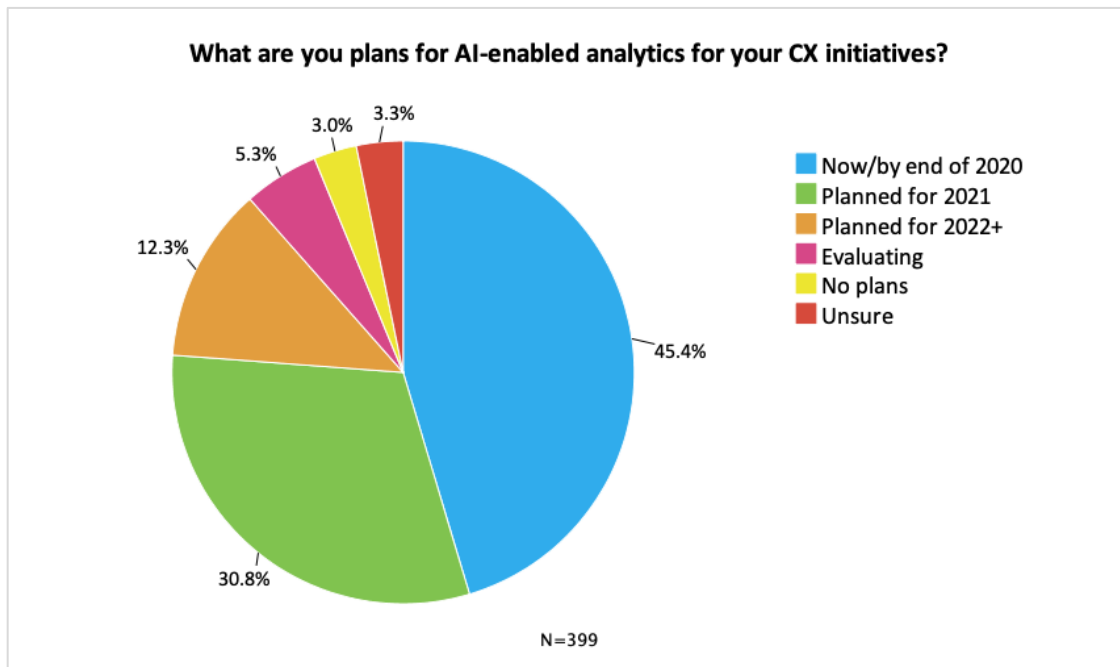


Figure 7: What are your plans for AI-enabled analytics for your CX initiatives?

Analytics applications provide significant and detailed information on KPIs, individual agent performance, team performance, customer ratings correlated by agent and team, and more. Agents can receive automated training from the application during downtime, and supervisors can use the information for 1:1 coaching, as well as overall improvement of operations.

Customer-Facing Virtual Assistants

Many CX leaders accelerated plans to implement virtual assistants to work with customers over SMS, webchat, mobile business chat, and social media. One large global bank, for example, had planned to implement customer-facing chatbots by the end of 2020. But when the lockdowns started in March, leaders prioritized the project and deployed within three weeks. Nearly 40% of research participants are adding customer-facing virtual assistants in 2020, and another 33.6% are planning to do so in 2021.

Though virtual assistants require an initial investment, the payback is quick when compared to live agents, according to the study. There are two broad types of virtual assistants: basic and complex. Basic AI virtual assistants provide simple information, such as overnight mailing addresses, account balances, or schedule updates. Complex assistants rely more on machine learning, so they can “think” more, providing guidance on multi-step warranty claims, or making product recommendations based on predictive analytics.

The average annual cost of a live agent is \$63,744. Basic chatbots to handle 5,000 monthly transactions cost about \$10,600 in the first year and \$2,556 each subsequent year. Complex assistants are more expensive than a live agent in the first year (averaging \$72,000), but less in

subsequent years (\$37,800). However, the complex assistant costs vary widely based on the underlying technology and complexity of the virtual assistant.

Customer Ratings and Analytics

Gathering customer ratings and analytics has become crucial to determine whether CX services, apps, and processes are working as expected. As Figure 8 shows, organizations gather a variety of ratings, with customer satisfaction topping the list. Those ratings feed into analytics tools to show supervisors whether certain behaviors, agents, teams, or technologies correlate with higher ratings.

By the end of 2020, 55.9% of research participants were gathering customer analytics, with another 19.5% planning for 2021. Analytics provide insights to optimize customer experience. If companies are using technologies that are not correlating with customer satisfaction, they can quickly make adjustments and track the corresponding data. This is crucial for spending a limited budget wisely, and to get the best bang for the buck.

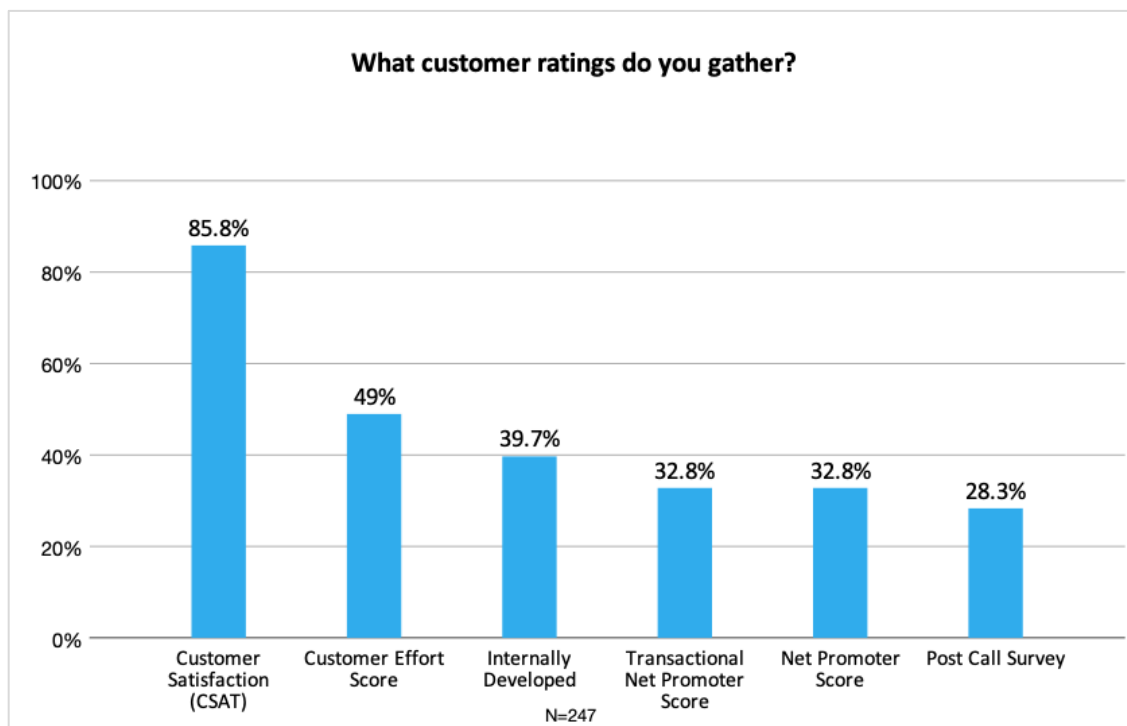


Figure 8: What customer ratings do you gather?

Success Metrics

By adding technologies such as AI and analytics, as well as integrating systems, companies are finding measurable revenue growth, cost decreases, customer ratings improvements, and agent efficiency.

We asked all participants who used AI and analytics whether they measured success, and 398 of the participants did. We then asked them for their revenue, cost, customer ratings, and/or agent efficiency figures before and after the project that used AI or analytics, or the percentage change. As Figure 9 shows, research participants saw the following results:

- 68.3% increase in revenue for the areas of the company affected by the project being measured
- 63.8% average decrease in operating costs through offsetting agent costs
- 62.1% improvement in customer ratings by delivering contextual interactions, fast resolution with self-service, and personalized service
- 43.4% improvement in agent efficiency through automating functions previously done manually, such as transcriptions

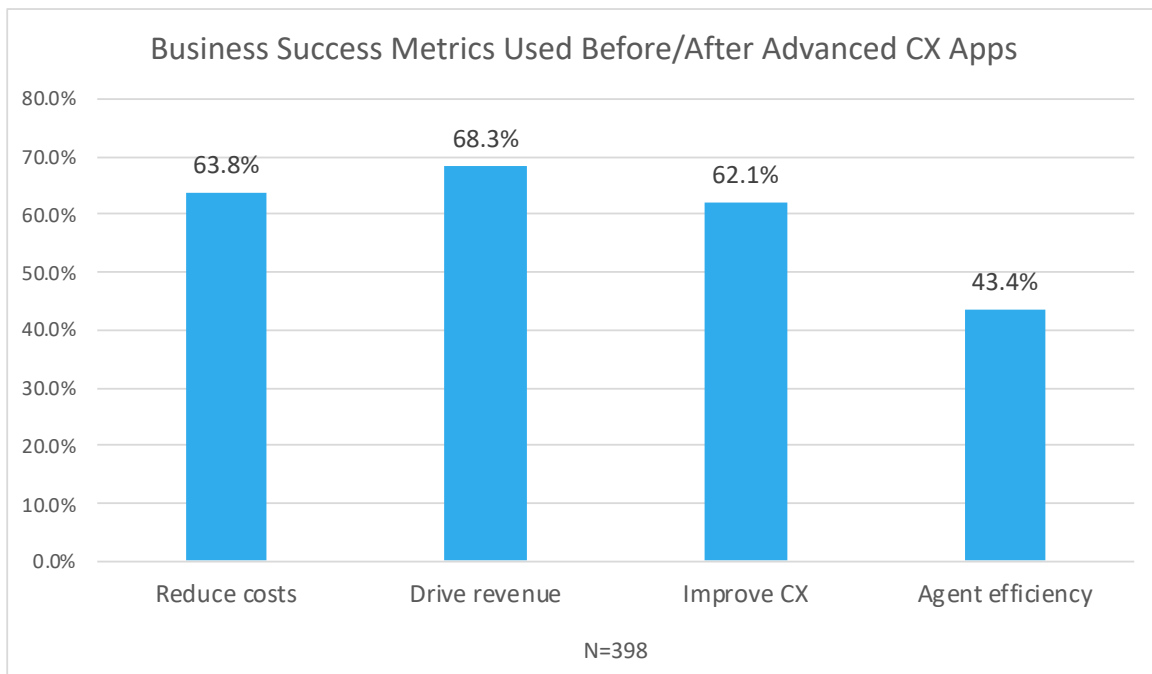


Figure 9: Business Success Metrics Used Before/After Advanced CX Apps

Conclusion

CX and IT leaders are facing significant and transformative challenges as they navigate a drastically changed workplace. At the same time, customers are interacting differently. Once CX leaders identify problems or opportunities, IT teams' role is to help determine the best technologies and providers to address them.

We recommend companies consider the following:

- Lobby for CX budget. Use the data presented here to ensure your organization is at least on par with the average figures. As a benchmark, the most successful companies spend 4% of annual revenue on their CX technologies. By using analytics to measure success, it becomes easier to win stakeholders for future projects. Already, 45.4% of companies use analytics to measure CX success, with another 30.8% planning to do so in 2021.
- Make sure to spend every dollar carefully, and that you're measuring the return on your investments. Capture baseline figures for revenue, cost, customer ratings, and agent productivity prior to a new technology deployment, and then continue measuring on regular intervals to determine whether it's successful. If not, make adjustments to the applications, processes, or management to boost success.
- Reconsider your entire CX technology portfolio in light of the changing workforce. Evaluate technologies, such as artificial intelligence, analytics, and self-service, while also considering whether to add new integrated channels or integrate systems. Our research shows adding any of these technologies or integrations results in varying levels of success. Integration of contact center with UC, for example, shows significant revenue increase (86.5%), cost decrease (-14%), and customer ratings improvement (46.5%).

Research Methodology

Metrigy conducted this research project from August through October 2020. We generated hypotheses and supporting questions in August, conducted interviews and surveys in late September and early October, and analyzed the data in late October.

We interviewed or surveyed IT or business professionals from 700 organizations from 12 countries in three regions:

- North America (54.3%): United States and Canada
- Europe (23.1%): United Kingdom, France, Germany, Spain
- Asia-Pacific (22.6%): Australia, India, Japan, Malaysia, Singapore

Those who participated in the research offered a variety of perspectives. The largest percentage of participants were in an IT role (either technology- or security-specific). The study also included those in a general executive role, general business unit role, customer experience role, or sales and marketing role. (Please see Figure 10.) The majority (59.4%) identified as decision-makers, while 45.3% said they influenced decisions, and 17.7% operate and support the products and services.

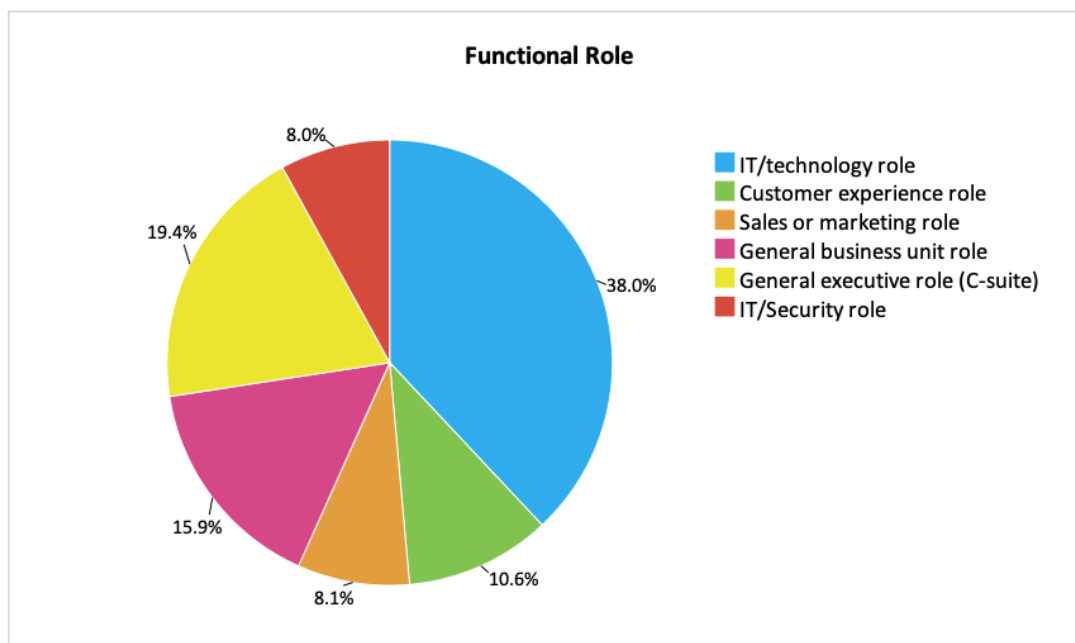


Figure 10: Functional Role of Participants

There also was a variety of companies represented by size and by industry. By number of employees, 24.4% were small (fewer than 250 employees), 50.1% were midsize (251 to 2,500 employees), and 25.4% were large (more than 2,500 employees). By number of contact center agents, the largest cohort has 11 to 50 agents. Several industries also were represented in the study, with manufacturing, financial services, professional services, IT, and education at the top. (Please see Figures 11 and 12.)

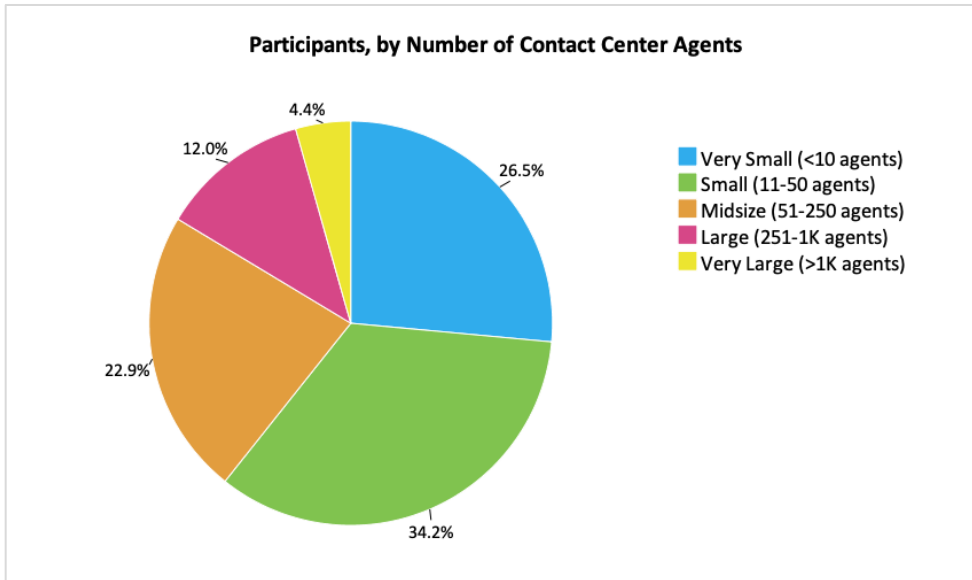


Figure 11: Participants, by Number of Contact Center Agents

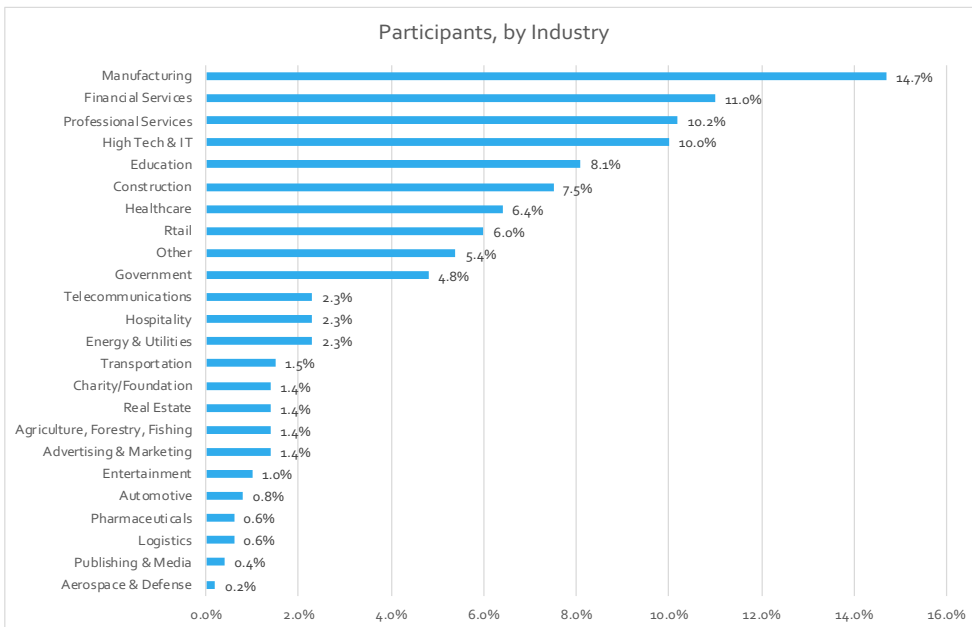


Figure 12: Participants by Industry

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