

# Case Study

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## Five9 and XACT TeleSolutions

### INTRODUCTION

On-demand computing has developed a reputation for delivering low cost and high value information systems to all types of companies. Some of the earliest adopters of on-demand CRM were companies that could not otherwise afford powerful customer facing solutions to run their businesses and for them software as a service was an ideal solution. But as a broader cross section of companies has taken on this style of computing, new niches have opened in which on-demand solutions are enabling different business models.

For example, the on-demand model not only reduces costs, it also enables companies to more flexibly configure their businesses to take advantage of market opportunities. By using on-demand computing, call center operators have greater latitude over staffing issues and real estate costs which can enable them to be more responsive to customers, draw from a larger talent pool, and take on new lines of business.

This Beagle Research Group case study examines how XACT TeleSolutions leveraged on-demand call center solutions from Five9, Inc. to liberate itself from a conventional call center business model while embracing new opportunities with employees and customers.

### CUSTOMER AND BUSINESS PROBLEM

XACT TeleSolutions is a ten year old company that provides inbound and outbound call center services from its headquarters in

Nashville, TN. The company specializes in providing these services for third parties — companies that may not wish to take on the overhead of operating a service center in-house. For a monthly fee, XACT TeleSolutions provides its customers with trained agents and all the necessary support systems to operate call centers for clients.

The company grew by acquisition and at one point operated a dozen conventional call centers across the country including some in expensive locations such as suburban New York, Boston, and Baltimore. But, XACT soon began to feel the limits of this conventional business model. "We were turning away customers we couldn't serve because of internal

limitations," said Kathy Gray, director of business development.

The physical limits of any call center constrain the number of people who can be employed and personnel skills affect the kinds of business the call center can sell. For example, different personality traits are desirable in sales and service. Once a call center's available labor force is fully subscribed, a call center operator must either add more space to support more people, or turn down business. Also, lack of the availability of expensive equipment such as an auto dialer for making outbound calls meant that XACT was limited to providing inbound calling services for its customers.

Finally, in order to have a sufficient pool of potential employees to select from, most call centers locate in urban or sub-urban areas where rent and labor are relatively more expensive. So, the conventional call center business model has a relatively high cost



structure built-in and XACT wanted to find a way out.

## **SOLUTION AND RESULTS**

XACT began switching to an Internet based business model a few years ago in an attempt to save on equipment and real estate costs. While the company immediately appreciated the benefits of an on-demand model that included lower fixed costs for equipment and real estate its initial choice of supplier was not a perfect fit. That supplier was a reseller of call center infrastructure and whenever XACT needed specialized assistance, the reseller was not able to be responsive without first going back to the OEM. "It was very difficult for that vendor to keep up with our growth," Gray said, and ultimately that led XACT back to the market for a more robust solution.

As an experienced user of on-demand call center infrastructure XACT had a good idea of what it needed the next time it entered the market and in short order the company found its new partner, Five9, Inc. According to Gray, Five9 brought several attributes to the table that were highly desirable for XACT's business.

In addition to providing conventional call center functionality delivered over the Internet, Five9 also delivers Internet telephony or voice over IP (VoIP) to help customers further reduce their expenses and streamline deployment. As a result, companies can deploy a full contact center solution to any point served by the Internet greatly enhancing a company's options for customer interaction.

### **Greater business flexibility**

Five9 brought additional functionality to XACT, which drove a change to its business model. In its earliest incarnation, the company had been dedicated to taking inbound service calls for its customers but Five9 also offered predictive autodialing capabilities so XACT discovered it could expand the range of its services to outbound calling as well.

According to Gray, "We weren't in that marketplace at all — so it was a very nice asset

to acquire because we were then able to ask 'How can we grow the business?'" But as Gray also explained, XACT didn't want to "burn up the wires" by getting into low margin, high volume calling. "We're not that kind of company," she said. The answer resulted in a new revenue stream for the company.

XACT took the approach of adding greater value to its customers' relationships with their customers through customer satisfaction surveys and loyalty building services. "We went back to our customers and said, 'What are your needs for prospecting? For keeping in touch with your existing customers?'" For one customer that means making contact quarterly with the customer base.

Another customer is a large newspaper dealing with lower circulation challenges most newspapers face today. The paper is using XACT to canvass readers to better understand their reading habits and requirements. "They're trying to tweak their business to be more responsive," said Gray.

The company also uses outbound capabilities to prospect for customers in selected niches. For example, in the higher education market, XACT helps its distance learning customers to attract and recruit students.

Generally speaking XACT is able to take a more proactive and customer centric approach to its business because it has fewer limitations on the services it can offer. Rather than knowing it has a limited number of seats in a call center, Gray and her staff know that they can find business and the company will be able to staff the need appropriately. As Gray says, "One of our strong suits is our partnership role with our customers. We look at each new relationship uniquely and ask, 'What are your goals, what's hindering you, how can we help?'"

### **Greater employee flexibility**

Using an advanced call center infrastructure has enabled XACT to change some of its employee policies, most notably where people work. The Internet based infrastructure means that people can work anywhere — usually from their homes — and that has

opened many possibilities while delivering benefits for the company and its employees.

As already noted, Five9's on-demand infrastructure has relieved XACT of much of its high real estate overhead, but it has also given the company more latitude in hiring. Rather than only going to large population areas, XACT can recruit from a population that is as broad as the Internet.

"Traditionally, finding labor is tough," Gray admits. But in this situation it has become, "The least problem for us," she says. That's because the ability to telecommute is a strong attraction for many call center agents. Recruiting is done largely over the Web or through word of mouth. In one recent month, XACT received more than 500 applications for agent positions and Gray happily reports, "We have a waiting list."

The demand for agent jobs gives XACT the ability to be selective in hiring and Gray points out the importance of putting the right people in the right jobs. For example, jobs, such as support and sales, require different types of skill sets and people to do them and for that reason, the company is always evaluating talent for many traits.

Employees like the distributed architecture because it enables them to work at home and avoid commuting, and there are many advantages for XACT beyond cost savings. For example, it's not always possible to forecast spikes in demand for agent coverage. With the on-demand infrastructure it is easier to cover unexpected demand surges if employees can simply go to another room in their homes rather than commuting into the call center. The result is better ability to match agents to demand and greater satisfaction for agents who can pick up additional income by filling in.

#### **Lower overall costs**

In the on-demand model, all infrastructure is priced based on a monthly per seat charge; the investment by XACT is limited to a training and support infrastructure the company maintains, as well as the cost of any equipment the company positions on a user's desk. Since users work at home, the company's need for office space has been

significantly reduced and the company was able to close most of its call center locations while expanding its business.

#### **Managing the system**

Of course the challenges of managing a virtual organization like this are also different. Supervisors cannot simply walk the floor to see agents engaged with customers as in a conventional call center. But XACT has used an array of utilities supplied by Five9 to audit remote users' PCs and quality control managers use company-developed business processes to enable the to monitor and track

#### **CONCLUSION**

agent activities.

XACT TeleSolutions has demonstrated that the power of on-demand computing goes well beyond lowering the cost of providing advanced customer facing software to companies that need it. More than managing cost alone, the Five9 Virtual Contact Center streamlines deployment of a variety of technologies that are required for successful call center operation. Five9 is helping spawn new and profitable business niches that enable companies like XACT to innovate solutions that better fit their customers' requirements.

XACT's proactivity and refusal to simply provide commodity out bound calling services has brought it into closer partnership with its customers. Because XACT was able to access predictive dialing capabilities at an affordable price point from Five9, the company was able to branch into a new market. With outbound calling capability XACT has delivered higher value services to its customers by helping understand their customers' satisfaction and drive customer loyalty.

On the other side of the coin, on-demand infrastructure has made XACT a preferred place to work for many people. The desirability of positions at XACT means the company has more applicants to choose from and ensures it can better match skill sets to its customers needs. The result is a virtuous circle in which XACT, its employees and its customers all benefit.

Five9 probably did not foresee all of the ways its customers could benefit from its idea to offer call center services over the Internet and this case study is an interesting example of innovation's unforeseen consequences and benefits.

## **VENDOR BACKGROUND**

Five9 wins a WizKids award for its far sighted development of a hosted IP based call center solution. Based in Pleasanton, CA, Five9 is a leading global provider in this rapidly evolving field.

The Five9 Virtual Contact Center delivers a hosted VoIP contact center solution for companies of all sizes for a single monthly fee making it possible for any company to deploy contact center functionality to its users within 48 hours. The only requirement for users is a PC, IP telephone, and Internet access.

By using the Internet for all communications needs, including telephony, Five9 provides its customers with a single source solution for all contact center functionality and system management. As a result, customers can rent the capacity they need as they need it and focus on activities that are core to their businesses while Five9 takes care of managing all of the functionality.

Five9 customers include a wide-range of industries including call center outsourcers, fundraisers, financial services (mortgage brokers, debt counselors, banks, etc.), tele-marketing, health care, home improvement, travel, and high tech.

### **About Beagle Research Group**

Beagle Research Group is a consulting and market research organization focused on emerging technologies and companies that will have an important impact on the way business is conducted in the years ahead. Our work is based on professional standards of quantitative and qualitative research which informs all of our publications.

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