TeleTech Technology

RETAIL WHITE PAPER

Blowing Past the Fluff: Cloud Contact Centre Total Cost of Ownership

Distinguishing the Retail Experience to Attract Customers

A straightforward breakdown of cloud versus premise-based contact centre costs reveals the true financial, operational, and qualitative opportunities for retailers to deliver the kind of customer service that separates them from the pack

eLoyalty A TELETECH COMPANY

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Executive Overview

As consumers progressively rely on digital channels to evaluate products they're interested in, it's becoming increasingly difficult for retailers to attract customers and build loyalty when there are so many different choices available. A recent study on showrooming conducted by Vibes reveals a whopping 156 percent increase among consumers who have purchased a product from a competitor while in another company's retail store[i].

One of the top priorities for retailers wishing to succeed in today's competitive environment is to connect the dots between in-store, smartphone, tablet, traditional web, and other channels. This seamless interaction allows retail leaders to gain a much richer understanding of the multichannel customer journey, providing insights to personalize the customer experience and strengthen business results[ii].

With competition for consumer spending more intense than ever, retailers need an edge to attract and retain customers. One effective way of drawing and keeping customers is by providing consistently exceptional customer support experiences. According to the 2012 Global Customer Service Barometer study conducted by American Express, two-thirds of consumers say they're willing to spend 13 percent more with a company they believe provides excellent customer service[iii].

Although retailers typically garner higher-than-average customer experience ratings compared to other industries such as Internet service providers and wireless carriers, better-than-average is no longer good enough[iv]. In order for retailers to attract and preserve customers, they need to provide consistent customer support experiences across all of the touchpoints customers use, including seamless cross-channel support experiences as they move from channel to channel.

By way of example, a customer shopping for blazers on an upscale men's fashion retailer's website wants to know whether a certain colour and size is available in a particular outlet, so he clicks to chat with a customer service associate. The customer shouldn't have to re-identify himself or repeat the nature of his request—the associate should know the product the customer is interested in and be able to pick up the discussion from there.

Cloud contact centre platforms offer an effective way to improve customer service and deliver consistently exceptional customer experiences by integrating customer support systems and capabilities across all of

Highlights

Supported by insights and research from TeleTech, this white paper will provide readers with a detailed categorization of cloud versus premise-based contact centre TCO for retailers, including hidden or obscure costs. Readers of this white paper will discover:

- The quantitative financial, functional, operational, and strategic considerations for cloud versus premise-based contact centre TCO.
- The qualitative differences between cloud and premise-based contact centre platforms, including the ease of adding new channel support along with soft benefits to the agent and consumer experience.
- The cost differences for cloud versus premise-based platforms between outsourced and hybrid contact centres.
- The impact on the consumer experience when using cloud versus premise-based contact centre platforms and its correlation to revenue protection and other business outcomes.

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the different customer contact channels. Putting omnichannel customer support systems under a single hood makes it easy for contact centre associates to follow each customer's journey from one channel to the next, allowing delivery of superior customer support experiences that customers crave.

Achieving transparency and demonstrating competence

Cloud contact centre platforms can also strengthen the customer experience by enabling contact centre associates to access information from across a broad spectrum of functions and support systems in order to provide customers with instantaneous and relevant responses to their inquiries. Empowering associates with real-time insights into various facets of retail operations, including inventory and accounting/credit, allows agents to communicate openly with customers while providing needed services more capably.

> Industry estimates a 15 percent reduction in IT personnel costs when shifting from a premise-based to a cloud-based contact centre

Retail associates able to access a full range of customer and business records, transactional information, and other data from a single centralized desktop can handle a greater volume of calls, achieving higher first contact resolution rates while strengthening customer trust.

The twin strengths of cloud solutions are rapid deployment and lower costs. When retail leaders consider the total cost of ownership (TCO) of cloud versus premise-based contact centre platforms, they need to examine the amount of time it takes to deploy a solution, the current and projected business and operational benefits, and the overall cost of the solution. For instance, what is the cost of lost revenue if it is going to take three to six months to deploy a premise–based platform? A cloud solution may be rapidly deployed for more timely realization of goals.[v]

Breaking it down

To date, industry estimates on cloud contact centre ROI range from 9 percent to 27 percent[vi] with IT and operational differences between cloud and premise-based contact centre platforms accounting for the wide range. The factors impacting ROI include company size, the number of outlets it operates, the size of its customer base, the number of IT personnel needed to support the contact centre platform's hardware and IT components, whether the organization plans to undergo time-division multiplexing (TDM) conversions, and other less obvious costs such as those associated with servers and other technologies[vii].

"For some retailers, the TCO will be closer to 9 percent while for others it will extend to as much as 27 percent due to the breadth and intensity of these factors," says Brian Shepherd, executive vice president of customer strategy and customer technology services, TeleTech.

Indeed, the TCO can vary based on different IT and operational aspects of contact centre platforms. Proprietary research conducted by eLoyalty finds that shifting from a premise-based contact centre environment to a cloud platform results in as much as a 15 percent reduction in IT personnel costs depending on the number of IT resources dedicated to supporting a premise environment[viii].

A Quantitative Assessment of Cloud versus Premise TCO

Just as there are various elements required to provide great customer support such as ease and speed of customer service as well as the ability to arm contact centre associates with customer data, multiple components must be considered when assessing the full TCO of a contact centre platform, and will vary among retailers depending on their specific requirements.

For instance, a contact centre that hasn't upgraded its PBX switch for 10 years or more may want to transition to the cloud to improve deployment speed, versatility, and cost. The benefits of adopting a cloud solution compared to remaining in a premise-based environment should be evaluated based on these criteria[ix].

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Cloud Contact Centre Total Cost of Ownership

Cloud Contact Centre Total Cost of Ownership:

Distinguishing the Retail Experience to Attract Customers

It's becoming increasingly difficult for retailers to attract customers and build loyalty when there are so many different channels and choices available. One of the top priorities for retailers wishing to succeed in today's competitive environment is to connect the dots between in-store and digital channels to gain a much richer understanding of the multichannel customer journey. Such insights can then be used to personalize the customer experience and strengthen business results.

Retailers have witnessed a **156% jump** in the number of consumers who have purchased a product online from a competitor while shopping in another retailer's store.*

2/3rds of consumers say they're **willing to spend more** with a company that provides excellent customer service.**

Customer Service is cited as the **most important factor** influencing customer satisfaction among online retail customers who contacted a company's customer service department. ***

The consumer contact abandon rate for cloud contact centres is **4.5% versus 6.2%** for premise-based systems.*******

Companies that deploy cloud contact centres can **lower the cost** of call handling and workforce optimization infrastructure by **as much as 43%** over a five-year period. ********

The greatest contributor to low FCR rates (60%) is a lack of access to consumer and systems data.******

How companies are using cloud contact centres...

Companies deploying their contact centres in the cloud **spend 27% less** on their annual contact centre costs than their peers ($112.5 million versus $155 million).****

Companies adopting cloud contact centres achieve an **8% to 22% improvement** in first contact resolution (FCR) rates, depending on the size of the customer support team and the level of advanced functionality that's adopted.*****

Sources: Vibes*, American Express**, J.D. Power & Associates***, Aberdeen Group****, TeleTech*****, Dimension Data******, Aberdeen Group*******, Frost & Sullivan********

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Comparing Premise and Cloud Contact Centres		
FACTORS	PREMISE	CLOUD
Cost to Deploy	Costly, time-consuming	Less costly, fast
Upgrades	Labourious	Straightforward
IT Requirements	Extensive	Minimal
Expenditure Type	CapEx	OpEx
Agent Productivity	Low	High
Impact on Customer Experience	Stringent	Responsive

Source: eLoyalty[19]

While it's critical to focus on the discrete TCO differences between cloud and premise-based contact centres, it's also important to get the big picture. According to 2013 research by Aberdeen Group, organizations deploying their contact centres in the cloud spend 27 percent less on their annual contact centre costs than their peers, averaging $112.5 million versus $155 million.

OpEx versus CapEx

One of the major financial advantages of migrating to a cloud contact centre is the benefits realized by shifting from capital expenditures (CapEx) for software, servers, etc. to an operating expenditures (OpEx) model[10]. CapEx typically requires a significant one-time investment in equipment (e.g., $100,000 for software) in addition to ongoing support costs for contact centre applications, servers and other peripheral devices[xi xii].

With cloud contact centres, retailers don't have to commit much in the way of CapEx resources. Instead, companies free up cash by paying only a monthly fee, a key consideration for retail leaders that are keeping a close eye on operating expenses and profit margins.

Breaking it down

Adoption of a cloud contact centre provides a variety of operational, functional, and financial benefits simply not available in premise-based applications. A cloud contact centre offers the potential for true associate virtualization by exposing a single contact queue and contact routing engine across all agent locations, including retail stores, home-based associates, and even outsourcer locations, without the need for third-party network call routing or polling technology[xiii]. This uniformity in call handling gives users the ability to define routing and business logic across the enterprise from a centralized location without the limitations and complexities typically associated with multisite call routing architectures and systems.

The pooling of associates across multiple locations using a cloud solution allows retailers to realize several efficiency and business advantages compared to a traditional premise multisite contact centre. A single virtual contact centre in the cloud will lead to more accurate call routing by better matching a customer's needs with an associate's skills or attributes. As contacts are routed with increased accuracy, the following tangible benefits can be achieved:

> Companies deploying their contact centres in the cloud spend 27 percent less on their annual contact centre costs.

- Increased productivity with each contact handle, reducing hold and queue times for a Lower Average Speed of Answer (ASA).
- Reduction in customer abandons as measured by the Abandonment Rate (ABA).
- Improvement in Customer Service Levels (CSL).
- Increased flexibility to accommodate high and low call volumes:

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- Low Volume Days—Reduces a retailer's overall staffing requirement with better utilization of available associates.
- High Volume Days—Reduces queue and hold times in heavy or peak intervals by leveraging associate availability across the enterprise, not just at individual sites tied to a separate routing engine or ACD system.

As customers are matched with the available resource best qualified to handle their inquiries and resolve problems, the chances of first contact resolution (FCR) increase dramatically, improving efficiency as well as customer satisfaction rates.

The benefits of cloud contact centres have been well documented, both by third-party research as well as through insight gained by TeleTech's 30 years and approximately 40,000 agents of on-premise and cloud contact centre experience. Some advantages of cloud platforms include:

- **An 8 percent to 22 percent improvement in first contact resolution (FCR) rates**, depending on the size of the customer support team and the level of advanced functionality adopted by each retailer[xiv]. In order to resolve customer issues quickly and completely, associates require access to relevant customer and company information.

  According to a study conducted by Dimension Data, the greatest contributor to low FCR rates (60 percent) is a lack of access to customer and systems data[xv]. Silos of premise-based customer information distributed across various functions and channels make it harder for associates to find information needed. In addition to using a cloud platform to overlay existing systems for data integration, organizations on the higher end of the cloud maturity model can also use searchable databases to locate the data required.

  FCR improvements have a direct positive effect on customer and employee satisfaction. According to SQM Group, for every 1 percent of FCR improvement, contact centres will see a 1 percent improvement in customer satisfaction rates (CSAT) and a 1 percent to 5 percent improvement in employee satisfaction[xvi].

  > FCR improvements have been shown to have a direct positive effect on customer and employee satisfaction.

  In addition, cloud contact centre platforms offer improved call routing by utilizing virtual contact centres. With the cloud, it doesn't matter whether associates are located within a physical call centre, in a satellite contact centre, or are work-at-home associates. Intelligent call routing capabilities offered via the cloud can be used to match callers with the associates who are best trained and suited to meet their needs.

- **A 27 percent improvement in customer contact abandon rates**[xvii]. Cloud platforms also enhance the customer experience by matching customers to the best suited associate available, resulting in increased customer satisfaction and reducing abandon rates

The Cost Benefits of Cloud-Based TDM to VoIP Conversions

Many companies are recognizing the increased flexibility and cost benefits of moving their voice and data traffic onto a single network. Shifting to a Voice over IP (VoIP) network offers tangible benefits to contact centres as well, including reduced overhead associated with operating separate networks during peak periods of call volume.

Perhaps the greatest advantage for companies adopting cloud contact centre platforms is the ability to skip the transition from time division multiplexing (TDM) to VoIP, immediately obtaining the cost and scalability benefits VoIP has to offer.

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from 4.5 percent versus 6.2 percent compared to premise-based systems.

- **A 35 percent improvement in uptime**[xvii]. Cloud contact centres on average experience less downtime (2.4 hours versus 3.7 hours per year) than retailers relying on heavily patched legacy systems.
- **A 3 percent to 5 percent reduction in IT headcount**[xviii], going as high as 15 percent in organizations with disproportionate IT support. While in-house staff is no longer needed to support applications previously managed on-premise, there are other factors contributing to the reduced need for IT personnel. In addition to savings realized by a decrease in the number of FTEs (full-time equivalent) IT workers needed to support ancillary systems (servers, storage), expenses associated with training IT employees on premise software certifications along with the time spent in certification classes may be redirected. For retailers looking for new cost-cutting opportunities, this represents an extremely agreeable benefit of switching to a cloud-based solution.

There are also cost differences of cloud over premise-based contact centre platforms that retail executives either overlook or intentionally skirt to avoid backlash. "No one wants to be the decision maker who decided to take five jobs out of the IT department," says Tina Valdez, strategic product specialist at Cisco. "Instead, what they really should do is evaluate how the five IT staffers can be transitioned into strategic development projects that can benefit customers and the retailer's operations," she adds.

Cloud solutions offer significant FTE, training and certification cost reductions

Important TCO distinctions

It takes less time to deploy a cloud solution, typically a matter of weeks even with customization, whereas premise-based solutions can take 18 to 24 months or longer if deployed by lean in-house IT staffs struggling to contend with multiple projects simultaneously[xix]. It should also be noted that any time IT resources dedicated to working on a premise-based implementation is time not used to work on other projects, serving to further impact productivity.

The cost of premise-based implementations can also be viewed in terms of the operational and business benefits only available through a cloud implementation, such as rapid deployment and new channel support. In addition, many retailers shifting from premise to cloud contact centres may also be able to reduce the size of their data centres. While the savings realized by operating smaller data centres is not immediate, over time retailers that have transitioned to the cloud will achieve a significant reduction in data centre real estate and cooling/power costs.

Case Study: Simplifying the Customer Support Experience

Challenge: A large department store chain sought a means to improve the experiences of inbound callers for customer support while taking advantage of relevant sales opportunities[xxi].

Solution: The department store partnered with eLoyalty to implement intelligent voice routing through a cloud service platform across its contact centres and 850 outlets, connecting 10,000 customer service associates to VoIP. The retailer also incorporated self-service IVR capabilities and the use of workforce optimization tools to help connect callers with the right associates based on customer needs and associate skills.

Results: The retailer dramatically improved the customer experience by matching the right customers to the right associates, and the VoIP implementation enabled the department store to slash its annual telecom costs by $11 million. In addition, identifying potential up-sell/cross-sell opportunities in customer support interactions enabled 1 percent of all inbound calls to result in new revenue.

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Five-Year TCO-Hosted Cost Savings % Over Corresponding Premise Deployment			
	SEATS		
CONFIGURATIONS	100	250	500
ACD Only	9%	10%	19%
ACD+	21%	28%	39%
Full Function	23%	34%	43%
Source: Frost & Sullivan, "Premise vs. Hosted Contact Center: Total Cost of Ownership Analysis;" 2011			

Industry research finds that inbound multichannel contact centres have the potential to generate at least 10 percent of total revenue from the sale of new products and services.

Once a retailer adopts a cloud contact centre platform, it's the cloud provider's responsibility to refresh the platform and add new functionality and channel support as they become available. Company leaders will no longer have to wrestle with build versus buy decisions each time new capabilities (i.e., chat, mobile, video) emerge. If contact centre leaders decide they want to test new channel functionality such as chat or mobile, they can easily run a pilot using a cloud platform, evaluate the results, and consider their options before making a commitment to implement the change.

The Qualitative Benefits of a Cloud Environment

In addition to the financial, productivity and operational benefits gained from a shift to a cloud contact centre, retailers will also realize a variety of qualitative improvements.

The flexibility of cloud-based contact centre services can easily be adjusted to meet rising or falling call volumes on the fly, or to quickly add functionality such as new channel support (social). Also, because cloud contact centres are able to provide associates with a spoke-and-hub approach to overseeing and managing customer interactions across multiple channels, associates are able to obtain a harmonized view of all types of customer activities from a single console. In addition, Aberdeen research reveals that cloud contact centres are 27 percent more likely to be integrated with CRM systems than premise-based contact centres. This universal view from a single screen enables associates to identify the channel or channels a customer previously used for support along with the factors that may have triggered an escalation to speak to a live associate.

"The cloud offers associates and contact centre supervisors a much more unified view of customer and company data, particularly for those organizations that have not already conducted a CRM integration," says Brian Shepherd. When a complete customer view is available, including recent interactions and whether issues were resolved, associates are able to provide relevant and swift support, helping to improve customer satisfaction and trust.

Dispelling Three Myths of "The Cloud"

Over the years, several myths have been circulated about the so-called hidden costs of cloud contact centres along with fables about security vulnerabilities and other "gotchas" associated with hosted environments. We address these misconceptions below:

Myth #1: Retailers that transition to the cloud lose all control of the contact centre. Although retailers transitioning to the cloud effectively transfer management of software and hardware support and maintenance to the cloud provider, they don't abdicate control over their technology strategies, nor do they abandon jurisdiction over associate training. Companies shifting to a hosted

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environment continue to oversee the strategic direction of the contact centre and customer service; the cloud provider merely supplies the underlying technology and ensures that it is continually refreshed.

Myth #2: Cloud contact centre platforms are not as secure as premise-based systems. Security experts contend that most breaches occur as a result of physical tampering with **in-house** systems. The U.S. federal government continues to incentivize agencies to move their computing activities into the cloud under the FedRAMP program, a testament to the level of confidence that key decision makers place in the security of cloud computing.

Myth #3: A shift to cloud computing results in major IT staff cuts. The number of IT staff impacted by transitioning to cloud computing isn't as dramatic as is often claimed. Our research finds that the average retailer experiences a 3 percent to 5 percent reduction in contact centre support staff.

Strengthening the Associate Experience

Providing customers with better experiences starts with improving the associate experience. Associates who have difficulty accessing the right content to solve customer issues will become frustrated, fuelling turnover, while onboarding and training new associates on different retail products and support processes is costly and time-consuming.

According to ContactBabel, the average associate attrition rate for contact centres in a growing economy is roughly 25 percent[xxiii]. Associate attrition not only adds to recruitment and training costs but also makes it difficult for retailers to meet business targets because there aren't enough experienced, highly qualified agents available. Cloud contact centres can help retailers boost agent retention through a number of modifications, such as improved access to information to make the job easier, or allowing agents the ability to work from home. Providing this kind of flexibility is critical as organizations continue to ramp up their use of at-home associates. According to ICMI, in 2000 just one in ten companies used at-home associates[xxiv]. By 2010, one in four organizations utilized at-home associates and the number continues to grow.

> "The quality of the associate experience is something you can't easily place a dollar figure on that's nonetheless extremely important when it comes to agent productivity, agent satisfaction, and ultimately customer satisfaction."
>
> *—Brian Shepherd, executive vice president of customer strategy and customer technology services, TeleTech*

Top Internet Retailers' Social Customer Service Performance
Key stats based on list of top 100 internet retailers in the U.S., July 2013

81%	are responding to customers on Twitter
80%	are responding to customers on Facebook
50%	are fully resolving issues within these platforms, without redirecting to other channels
34%	are setting expectations on social for the level of service their customers can expect
11 hours, 15 minutes	was the average response time on Twitter
13.8%	was the average Twitter responsiveness rate among brands

Source: Conversocial

Social Customer Service Performance: Room for Improvement
Although retailers are ramping up their social customer service efforts, many companies face gaps with problem resolution and response times[xxv].

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Building an Adaptive Model for the Future

As physics Nobel laureate Nils Bohr once said, "Prediction is very difficult, especially if it's about the future[xxvi]." While it is challenging to forecast what may lie ahead for customer service and contact centres, it's a safe bet that we'll continue to see new contact channels emerge.

Cloud contact centre platforms provide retailers the flexibility and agility to accommodate future customer service preferences and channel behaviors. Retailers developing an adaptable, multi-channel approach to customer service are better able to respond to customers more quickly and effectively, building trust and resulting in more efficient interactions.

Considerations for Outsourced and Hybrid Contact Centres

One of the operational and financial benefits of cloud contact centres is the flexibility to route calls to remote associates, including at-home staff. Regardless of where associates are located—whether in a dedicated contact centre, in an outsourced facility, or working from home—a cloud model can more readily support associates than premise-based systems. These and other advantages of a cloud platform also extend to retailers relying on outsourced contact centres or a mix of in-house and outsourced contact centres.

Whether a retailer relies on a single contact centre or a mix of in-house and outsourced contact centres across different geographies, customer service leaders are able to use cloud-based workforce management tools to gain a sole, consolidated view of customer service activities. This comprehensive insight includes a single view of all calls coming into the contact centre from the IVR as well as agent quality assurance reports wherever the associate may be located.

Cloud contact centre platforms also provide companies with flexible call routing options for outsourced or remote contact centres.

Just like in-house contact centres, outsourced contact centres can be added to a cloud contact centre platform within a matter of days instead of the weeks or months it would take to install premise-based applications. Meanwhile, retailers utilizing a cloud contact centre model don't have to worry about the hassle of keeping outsourced contact centres on the same version of workforce management and associate desktop software. Each of the contact centres supporting the retailer's operations is on the same platform, automatically undergoing the same refresh cycle for upgrades and enhancements.

When all outsourced and in-house associates are on the same desktop and telephony systems, customer service supervisors achieve a consolidated view of associate performance reporting as well as the ability to compare performance between in-house and outsourced associates or teams.

Cloud contact centre platforms also provide retailers with flexible call routing options for outsourced or remote contact centres. Cloud telephony solutions enable retailers to easily configure the time of day or day of week for routing calls between an in-house or outsourced contact centres as well as the agility to reroute calls between locations quickly and easily as demand dictates.

By providing outsourced associates with the same user interface and contact centre apps as in-house associates, retailers are able to lower the cost of training by having all associates use a single system for supporting customers. Contact centre leaders can also expect more consistent call handling from all associates—in-house and outsourced—with uniform metrics for evaluating associate performance.

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> As retailers strive to keep pace with customer experience expectations, they need a contact centre platform that is nimble and responsive enough to keep in stride with customers today — and tomorrow.
>
> *—Brian Shepherd, executive vice president of customer strategy and customer technology services, TeleTech*

As new channels emerge and customers increase their use of them, cloud contact centres can be adjusted on the fly to meet changing customer traffic between channels. Retailers hoping to operate more effectively in the future will need the agility to deliver fast and knowledgeable responses to customers' issues, such as a sudden uptick in demand for information about a new product being offered.

Future-proofing the contact centre isn't just about using a platform where new channels can be quickly added. To engage, satisfy, and delight customers, retailers will need to arm associates with up-to-date insights, enabling informed and relevant communications based on the full spectrum of pertinent information.

"As retailers strive to keep pace with customer experience expectations, they need a contact centre platform that is nimble and responsive enough to keep in stride with customers today—and tomorrow," says Brian Shepherd.

Conclusion

When retail leaders compare the differences between cloud and premise-based contact centres, it's critical to identify what will be needed 18 months or even three years from now. While it's difficult to predict what the future may hold, it is possible for decision makers to opt to place the organization on a path offering flexibility and responsiveness to customers' needs.

In evaluating different contact centre platforms, retail leaders should also consider the differences offered in channel support (chat, e-mail, social, desktop video), and determine their priorities in delivering customer support through specific channels.

"Retailers that are able to provide customers with cohesive support experiences across all of the channels they use position themselves to strengthen the customer-company relationship, heighten customer satisfaction and loyalty, and build the kind of trust that leads to more efficient operations," says Brian Shepherd.

About eLoyalty

eLoyalty, a TeleTech company, provides customer technology solutions that simplify service and deliver exceptional customer experiences at a lower cost. Using today's most advanced cloud, on-premise, and hybrid technologies, eLoyalty helps companies harness their existing technology investments and integrate legacy systems into a central customer collaboration hub that enables seamless service across all communication channels. Superior customer experiences start with an integrated approach, and eLoyalty unites all the capabilities businesses need to engage customers and build loyalty with every interaction.

For more information, visit **www.eloyalty.com**.

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