



WHERE HAVE ALL THE VENDORS GONE?

M&A activity is going strong in the contact center industry. A look at the key factors driving this trend.

By Dick Bucci,
Pelorus Associates



Dick Bucci
Pelorus Associates

If you have been to a major trade show recently, you learned that you can walk the exhibition floor in a half-hour. Maybe you've also noted that you are not getting as many industry magazines as you used to (thank goodness for *Contact Center Pipeline!*). And if you're in the business of selling to vendors (like yours truly), your prospect list seems to shrink every year.

Where have all the vendors gone?

The short answer is that the vendors are still there—it's just that you can't see them. They have been swallowed up by their competitors. There have already been three significant acquisitions in 2014. By far, the largest is Verint's \$514 million acquisition of KANA Software. The other two, the acquisitions of Uptivity (formerly CallCopy) by InContact, and OAISYS by Mitel, were much smaller in dollar terms, but still very significant. InContact's purchase of Uptivity was the first time a cloud vendor purchased a legacy premise solution vendor. Mitel's acquisition of one of its WFO integration partners, if not unique, was highly unusual.

Top 10 Mergers and Acquisitions

Table 1 summarizes the largest mergers and acquisitions in industry since 2005. These 10 transactions are valued at \$3.2 billion. All involved very large companies because, as the saying goes, that's where the money is. However, there has also been a lot of under-the-radar M&A activity. Toronto-based Enghouse Interactive came out of virtually nowhere to become a major WFO player as a result of multiple acquisitions. Atlanta-based Noble Systems has built a robust WFO portfolio around acquisitions that included recording vendors Telstar and Stratasoft, and Australian WFM vendor Open Wave.

What's Driving the Trend to Consolidation?

There are many factors that underlie the long-term trend toward industry consolidation. Three of the most important are: **(1)** Maturation of the core contact center market; **(2)** Rapid advances in technology; and **(3)** Broad acceptance of the WFO model.



➔ WHERE HAVE ALL THE VENDORS GONE?

They have been swallowed up by their competitors. There have been three significant acquisitions in 2014.

MATURING MARKETPLACE

The core driver for contact center investments is agent employment. As the number of agents increases so does the need to distribute calls and messages, monitor their performance and plan their work schedules. According to annual reports from the U.S. Bureau of Labor Statistics, growth in the agent community has been modest at best over the past five years. (See Table 2.)

Vendors are pressured by their investors to show consistent growth. When the industry average is 2%, like the children of Lake Wobegon, it's hard for everybody to be way above average. Strategic acquisitions allow companies to beef up sales by acquiring competitors or companies that are in different yet related market spaces, such as back-office operations and analytics. InContact acquired Uptivity largely to gain a foothold in the midmarket, which is growing faster than the enterprise space.

RAPID ADVANCES IN TECHNOLOGY

It is very hard for companies, even large ones, to keep up with the rapid pace of technology. There's the cloud, mobile, social media, multichannel, "Big Data," real-time reporting and many others. With market windows getting ever shorter, it is often faster (and cheaper) to acquire technology rather than develop it in-house. Aspect needed a powerful voice self-service solution and Voxeo was an acknowledged technology leader at the time. The acquisition made a lot of sense. Both Verint and NICE saw the potential growth in voice authentication and made acquisitions to acquire that technology.



TABLE 1: 10 Largest Contact Center Transactions, 2005-2014

Year	Transaction	Value (\$ million)
2005	Merger of Concerto and Aspect	\$1,000.0
2007	Verint Systems acquires Witness Systems	\$950.0
2014	Verint acquires KANA Software	\$514.0
2006	NICE Systems acquires IEX Corp.	\$200.0
2012	NICE Systems acquires Merced Systems	\$150.0
2013	Aspect acquires Voxeo	\$150.0
2011	NICE Systems acquires Fizzback Group	\$80.9
2011	Verint Systems acquires Vovici	\$76.4
2005	Autonomy plc acquires etalk	\$70.0
2011	NICE Systems acquires CyberTech	\$59.4
Total value		\$3,191

Source: Pelorus Associates



TABLE 2: Agent Employment Trends, 2009-2013

	2013	2012	2011	2010	2009
CSRs	2,389,580	2,299,750	2,212,820	2,146,120	2,195,860
Collectors	368,850	385,890	390,800	399,950	403,100
Telemarketers	231,900	245,880	258,060	288,760	307,730
Other	149,517	146,576	143,084	141,742	145,335
Total	3,141,860	3,078,096	3,006,775	2,976,572	3,052,025
% Change	2.07%	2.37%	1.01%	-2.47%	-2.70%

Source: U.S. Bureau of Labor Statistics

BROAD ACCEPTANCE OF THE WFO MODEL

The suite versus point battle is over and suite won. Players are pairing up with each other either through acquisition or through strategic alliances. Enghouse Interactive and Noble Systems have been particularly active in this arena. Aspect Software acquired SophistiCom Technologies and Aim Technologies to help fill holes in their WFO portfolio. In March 2013, Genesys acquired Angel.com and Utopo to "...accelerate Genesys' delivery of a complete workforce optimization (WFO) solution."

What Does Consolidation Mean to Contact Center Operators?

Consolidation in the contact center industry is nothing new. One of the largest vendors in the industry, Aspect Software, was essentially created by a series of acquisitions. Consolidation also has been a long-term trend in large end-user segments such as financial services, insurance and healthcare. Given this perspective, it's fair to say that consolidation has not harmed end-users and, in some ways, has

actually benefited them by providing more products, more innovative technology and a wider choice of acquisition options from more financially stable vendors.

InContact's acquisition of WFO darling Uptivity caught the industry by surprise. Premise-based vendors have been moving to the cloud for years, but the idea that the process could work in reverse seemed inconsistent with what would seem to be InContact's basic argument that cloud is better. In conversations with InContact executives and reviewing public statements, it is clear that Uptivity customers will not be summarily forced into a cloud model nor steered away from their longtime relationships with Uptivity employees. They will continue to be supported and this includes maintaining current integrations with call server platforms. According to Chief Marketing Officer Marianne McDonagh, the ultimate goal is to integrate Uptivity's technology into InContact's Workforce Intelligent Contact Center suite and deliver the tools as a single unified solution.

Given that industry consolidation is a fact of life, end-users need to have conversations with their key vendors regarding continued support of the installed base and the future direction of the product roadmap. [🔗](#)

Dick Bucci is Chief Analyst at Pelorus Associates, which provides market research and consulting services to the contact center industry.

✉ dbucci@pelorusassoc.com

☎ (434) 589-2131

About Contact Center Pipeline

Contact Center Pipeline is a monthly instructional journal focused on driving business success through effective contact center direction and decisions. Each issue contains informative articles, case studies, best practices, research and coverage of trends that impact the customer experience. Our writers and contributors are well-known industry experts with a unique understanding of how to optimize resources and maximize the value the organization provides to its customers.

To learn more, visit: www.contactcenterpipeline.com



Online Resource

This issue is available online at: [ContactCenterPipeline.com](http://www.contactcenterpipeline.com)

<http://www.contactcenterpipeline.com/CcpViewIndex.aspx?PubType=2>