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IVR Goes Proactive

By Donna Fluss
February/March 2009

Interactive voice response (IVR) systems have been around since the 1980s and are still going strong. Investments in self-service applications have accelerated during the past two years as more enterprises of all sizes are building or enhancing self-service solutions. DMG estimates that the IVR market reached \$1.867 billion by the end of 2007, making it the second largest contact center technology segment, trailing only the automatic call distributor (ACD) sector.

This market is being driven by strong demand for self-service applications, strong speech recognition capabilities, a steady flow of innovation, the growth of hosted solutions, and expansion of the outbound notification market. Recently, slower IVR growth in the US has been offset by increases in international sales, especially in Brazil, India, Saudi Arabia, Eastern Europe, and the Pacific Rim.

IVR systems are both strategic and tactical solutions that are mission-critical for a growing number of contact centers around the world. Some customers complain about these automated systems, but most customers find them convenient, easy to use, and have come to depend on them. With the emergence of the proactive outbound notification market, IVR systems are providing additional strategic benefits, making major contributions to revenue generation and helping to provide an outstanding customer experience.

The Emergence of Outbound IVR (Proactive Notification): The hosted outbound IVR market, also known as proactive notification solutions, has started to come on strong. New vendors are entering this market, many with verticalized solutions for health care, pharmaceuticals, doctors, dentists, travel, collections, and many other industries. Currently, most of the outbound notification offerings are sold on a hosted or managed service basis, as is the case for all of the vendors listed in Figure 1, below.

Figure 1: Hosted Outbound IVR Vendors	
Vendor Name	
Aliza	
Intervoice	
Nuance (Outbound Care)	
Silverlink	
Soundbite	
Varolii	
Vocantas	
VoltDelta	
West Interactive	

Source: DMG Consulting LLC, October 2008

The concept of outbound IVR is not new; it has been used for collections for many years. Many vendors are now offering packaged solutions that provide tracking and dialing capabilities, along with their primary function of leaving an automated message using IVR. Enterprises have built outbound programs utilizing their "inbound" IVR platforms for many years. However, as this is seen as just another use for the solution, the premise-based IVR providers do not track this activity separately. As inbound vendors start to offer prepackaged, verticalized applications, they may eventually be tracked and report the revenue from these solutions separately.

Outbound Legislation Helps to Create the Outbound IVR Market: In 2003, the US Federal Trade Commission (FTC) issued an amendment to the Telemarketing Sales Rule (TSR) for the benefit of consumers. This amendment changed the rule in a way that altered the dialing landscape. The legislation did not kill dialing, as many people had believed it would, but instead it established strict guidelines for enterprises to reach out to prospects and customers.

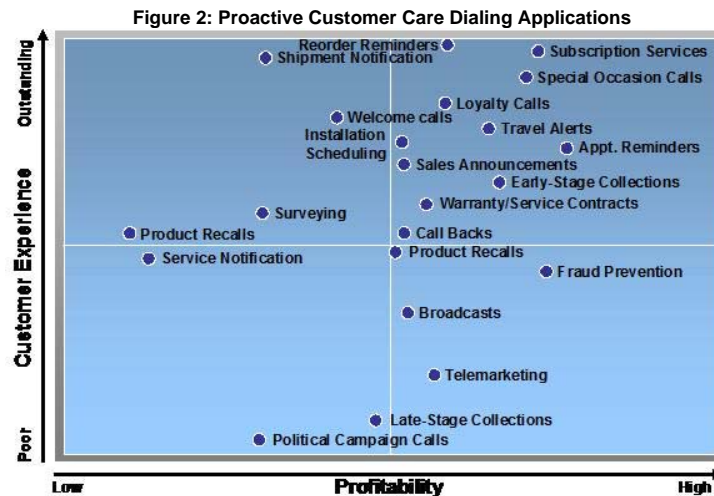
Companies are allowed to call customers with whom they have an established relationship and have already conducted business. Most companies had not previously invested in proactive customer care, despite the fact that existing customers are often more receptive than prospects. The legislation changed dialing from a disruptive activity that disturbed many dinners to a relationship-oriented function intended to build and enhance loyalty. It also became the driving force behind the outbound IVR market.

Outbound notification is used for many purposes, including proactive customer care. When

implemented properly, this functionality can help build an organization, enhance customer loyalty, and generate incremental revenue. Until August 2008 when two amendments were added to the Telemarketing Sales Rule (TSR) to reduce the number of automated nuisance calls, there were few barriers to market entry, thus attracting a rapid influx of new vendors.

DMG Consulting does not expect the new TSR amendments to seriously impede the growth of this market, although it may slow down for a short time while vendors enhance their offerings to address the new requirements. According to these provisions, "pre-recorded" messages can be delivered only to customers who have explicitly given permission, and the systems delivering the message must allow customers to opt out. While these provisions require technology enhancements for some of the vendors, they are simply good business practices that should strengthen this market in the long term.

High-Value Uses and Benefits of Outbound Notification: Figure 2 reflects twenty-one types of relationship calls. A few of these call types are related to collections and fraud, business necessities that are not pleasant for anyone, but the majority of these uses are intended to enhance relationships with existing customers. Many of the call types also help to reduce the volume of inbound calls to organizations. As depicted in this chart, all of these categories – even collections and fraud calls – improve a company's profitability and most can improve the customer's experience, as well. Of course, how the calls are executed will determine if they achieve their goals.



Source: DMG Consulting LLC, December 2008

Enterprises of all sizes, from solo practitioner dental offices to Fortune 100 companies, are using IVR systems to reach out to their customers in a cost-effective manner. In general, customers welcome these calls because they have granted implicit permission to be contacted in this way and informed about specific activities – such as appointments, sales, and travel – in which they have an interest.

The Outlook for Outbound Notification: The future for the proactive customer care market is strong. Customers in all types of companies welcome relevant reminders or notifications that enhance their daily life. The outbound IVR market is still relatively new and is just hitting its stride; vendors from many arenas are continuing to enter this market, as the revenue potential is large. Increasingly, the market will see multi-modal outbound notification solutions that can reach customers via their channel of choice. As long as the vendors stay focused on the goal of proactive customer care – providing information their customers find helpful – this market will grow rapidly over the next three years.

Donna Fluss is the founder and president of DMG Consulting LLC, a provider of contact center and analytics research, market analysis and consulting. She is the author of The Real-Time Contact Center, the 2008 Contact Center Executive, and Management Briefing, and many other industry reports. Contact Donna at donna.fluss@dmgconsult.com for more information regarding the interactive voice response market, see DMG Consulting's recently released Worldwide IVR Trends and Market Share Report.

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