

# Outcome-Based Pricing

## Ensure You Get the Business Results You Paid For

Today there is virtually no element of a business that cannot be improved by technology platforms, services, and products.

This is certainly the case when it comes to customer experience. Artificial intelligence, machine learning, chatbots, and other digital technologies all enable new levels of business performance and customer experience.

While this world of ever-improving digital technology is great for businesses and customers, it can also be quite problematic for the business leader who is charged with solving shortcomings in customer experience and making digital transformation happen.

### Are You Paying for Technology or Results?

Somewhere early in the pursuit of the right solutions, focus usually turns to a search for the right technology. And this subtle change tends to shape the dynamics of engagement with technology vendors, including how software is priced.

For instance, with premises-based software pricing models, firms pay a software fee plus a yearly maintenance fee. For SaaS models, the fees are normally annually recurring fees for a specific time period.

However, these traditional pricing methods often bring consequences for the business, such as:

- Vendors selling the technology are not incentivized to understand the nuanced challenges that a particular business customer may face. Therefore, the degree to which the technology can help (or not) solve their particular challenges is not always thoroughly explored and defined.
- All of the risk lies with the firm. After the technology is purchased, the vendor is not compensated based on actual performance or ROI gains. This means it is of no financial consequence to the vendor whether the technology they sold actually performs as intended.



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### What is Outcome-Based Pricing?

Outcome-based pricing is essentially a pay-for-results fee agreement between a company and vendor. Rather than paying the vendor for activity or the provision of software or services, the vendor is paid only if and when specific agreed-upon performance targets are met or exceeded.

In customer care, these performance targets are often related to:

- Incremental revenue goal
- Direct and indirect cost reduction
- CSAT measurements

## The Benefits of Outcome-Based Pricing

For business leaders who are looking for a way to avoid these consequences, we encourage considering an outcome-based pricing (OBP) approach to digital transformation.

With OBP, the vendor is compensated based on how well their technology solutions achieve forecasted outcomes.

An OBP approach usually unfolds as follows:



Through a consultative approach, the vendor identifies that the company is experiencing specific business problems, and uses actual company data to calculate that the problems are costing the company \$X per year.



The vendor provides an ROI model that articulates a proposed solution to the problem. The model guarantees an outcome that either reduces costs or drives revenues by a specific amount, thereby resulting in a net gain to the company (in addition to the customer experience gains).

The vendor is compensated by sharing in an agreed percentage of the gain. In contrast, if agreed business outcomes aren't met, the vendor doesn't get paid. In essence the vendor, rather than the company, assumes the risk related to non-performance.

With OBP, the company is able to eliminate the risks inherent with more traditional pricing, while also enjoying other significant benefits, including:

- They pay for business impact, not for technology.
- They don't pay unless/until the solution works.
- The vendor is committed to continued success and is motivated to continually improve the results.
- Companies won't be hit with unplanned fees and expenses for professional services – it's all included in the outcome pricing.



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## What Kind of Inputs Are Required for Outcome-Based Pricing?

Your vendor should provide you with a short list of contact center data inputs that are required in order to build the ROI model.

For customer experience ROI models, this data might include:

- Annual Chat Volume
- Cost Per Chat
- Annual Voice Call Volume
- Percentage Contained in the IVR
- Costs Per Call
- Agent to Agent Transfer Rate
- First Contact Resolution Rate
- Average Handle Time (AHT)
- API & integrations
- Customer Journey Flows/Call Flows
- Business Rules

This kind of contact center data is readily available and can be used by the vendor to create a clear and meaningful summary of savings or projected revenues. Vendors can assist with obtaining this data if required. From that point on, discussions between client and vendor are focused on achieving those specified outcomes.

## Remove the Risk of Your Customer Experience Investment with Outcome-Based Pricing?

[24]7.ai offers Outcome-Based Pricing options to clients who want an easy way to remove the risk associated with new technology and service investments. Working together with you, we can custom-design a “pay for performance” ROI model aligned to your business objectives and centered around:

- Incremental revenue
- Direct and indirect cost reduction
- CSAT measurements

Contact us today to learn more.



## CASE STUDY

### Telecom Provider Chooses Outcome-Based Solution for Improving CX

**Background:** The client, a major American telecom provider, had a dated customer service platform and a customer base that had become accustomed to calling voice agents for even the most routine support requests.

As a customer service leader, the client recognized that this was not a sustainable support model. They wanted a digital transformation partner to propose solutions that would reduce support costs and provide enhanced digital customer experiences today and well into the future.

**Solution:** [24]7.ai took a consultative approach to understanding the client's business challenges, and, using real company data, built an ROI model to solve the company's digital customer experience technology issues. [24]7.ai proposed an outcome-based pricing solution for improving the customer experience, with a portfolio of technology that will deliver predictable performance gains in every channel and throughout the customer journey as a whole.

**Results:** Rather than coming away with point solutions to address certain CX shortcomings, that company now has a digital transformation roadmap that details specific deliverables from [24]7.ai across a specific timeline. They're delivering better customer experiences at lower costs and quickly establishing themselves as a customer service leader across all channels. The roadmap, timeline and projected cost savings are as follows:


- **3 months:** Chat platform and agents that will deliver annualized savings of \$2.5 million
- **6 months:** Natural language IVR and Virtual Agent platform that will deliver annualized savings of \$17 million.
- **9 months:** IVR to Chat, speech and agent sharing technology that will deliver annualized savings of \$16 million.

In addition, the OBP solution accelerated the vendor evaluation and buying cycle to eight months, where the process can typically continue on for 18 months or more. This means the company begins enjoying the positive cash results of the ROI module much earlier. The client also has peace of mind knowing that they are working with a vendor who is dedicated to achieving performance targets at every stage.

Let [24]7.ai help your organization achieve extraordinary results. Contact us today.

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### About [24]7.ai

[24]7.ai is a customer experience software and services company that is redefining the way companies interact with consumers. We help businesses attract and retain customers, and make it possible to create a personalized, predictive, and effortless customer experience.

For more information visit: [www.247.ai](http://www.247.ai)