
THE CLOUD AS A CUSTOMER SERVICE SOLUTION

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Last week's "Behind the Markets" podcast focused on technology trends. The conversation included Wharton Professor Gad Allon; Ethan Kurzweil, a venture capital partner at Bessemer Venture Partners; and Rowan Trollope, CEO of Five9, a cloud contact center solution for enterprises.

Cloud Trends

Software has been moving to the cloud for its more agile operating environment. It has also allowed people to access things from anywhere, which is relevant in our current work-from-home environment. This trend has been in place for 10 to 15 years, but it is accelerating out of necessity right now.

Trollope described Five9 as providing the platform clients need to connect and engage with their customers. Their software aims to replace legacy PBX phone systems, which many will be familiar with as the "push 1 for this, push 2 for that" when you call someone for service.

Trollope believes most people do not like the customer service they typically receive and that they expect the worst when calling contact centers.

There are 16 million people employed worldwide in contact centers, with \$24 billion spent annually on legacy technology that no one likes. Adding in labor costs, close to \$0.25 trillion is spent on this bad customer experience every year. Adding Google AI services on top, Five9 helps companies leverage their incoming call center data to be more efficient in terms of labor expenditure as well.

"Home-shoring" has been happening in call centers for a while, but within two weeks of the pandemic hitting, 100% of people using Five9 software were working from home—and they may never go back.

Trollope's largest client, with 5,000 customer service agents, plans to keep 80% of their workforce working from home. Trollope sees this improving the overall call center experience, with turnover likely going down, as agents are happier working from home.

Rule of 40, a Measure of Efficient Growth

The Rule of 40 adds revenue growth to a [free cash flow](#) or enterprise margin. Five9 achieves a nice balance between profitability and growth, with growth rates in the high 20s while also delivering healthy profits.

Five9 highlighted their [LTV to CAC ratio](#), which measures the lifetime value of an enterprise client versus the customer acquisition cost. Five9 has a 6-to-1 ratio. Kurzweil said Bessemer looks at anything above a 3-to-1 ratio as good, and a 4-to-1 as exceptional—so Five9 is extraordinary, in his opinion.

We have been focused on the cloud computing space recently, and this was a great conversation, illustrating what is ahead for one of the high-growth companies in the industry.

Please listen to the full conversation below.

Behind the Markets on Wharton Business Radio · Behind the Markets Podcast: Gad Allon, Rowan Trollope, & Ethan Kurzweil

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DEFINITIONS

Free Cash Flow : A measure of how much cash is left in the company after taking into account all the necessary expenses, including net capital expenditures.

Price-to-earnings (P/E) ratio : Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.