



Daniel Newman: Rowan Trollope, CEO of Five9, welcome to the 2022 Six Five Summit. So glad to have you here.

Rowan Trollope: Thanks, Dan. Great to be here.

Daniel Newman: It's been a minute, but I'm glad that you were able to make the time virtually still. By the way, never probably going to do this event in person.

Rowan Trollope: Really?

Daniel Newman: But-

Rowan Trollope: Never say never, Dan.

Daniel Newman: But that's what everybody said to me. They're like, "We're not going to go back to live events and then I got 200 live event invites in June. So time changes everything and our memories are very short. Our memories are very short a lot.

Rowan Trollope: You're a lot more popular than I am. I did not get 200 invites. I can tell you that, Dan.

Daniel Newman: Well, we can have an offline discussion on why that happened. I don't think popularity probably was the number one reason. But anyways, this collaboration track, listen, Five9 has had a really interesting year. The communication industry, of course, we saw what the pandemic did to collaboration and drove visibility into that, the contact center customer experience. You guys are at the center of all this. I'd call it a whirlwind year in many ways. Just talk a little bit about how the year's gone for Five9 and you in that role of CEO.

Rowan Trollope: Sure. Well, it has been a great year so far. We're just getting started here in 2022 really. We had a great Q1. What are we in? May, I guess we're ... Gosh, the year's almost past over, half over, Dan. That's surprising.

Daniel Newman: We're recording in May and we're playing this in June, but yeah, we're time traveling.

Rowan Trollope: Okay, so we're halfway through the year. It's been a great year for the company and I think, last quarter, when we announced ... Last year, we announced the largest deal on our company's history and this latest one was a \$44 million ARR deal. So clearly the largest companies in the world are now looking to the cloud to transform their customer experience, at least in the context. I think they have been there obviously for a long time, right? With CRM and some other platforms. But finally, the biggest companies in the world are starting to drive that transition to the cloud.

Daniel Newman: Yeah, there's a lot of that going on. And of course, you guys, as one of the leading contact center and technology companies, of course, the cloud contact center company, I'm sure some people would debate that, but certainly, when I recognized the company that really made that leap, Five9 was that company. It's been a really exciting year. The idea of experience and customer experience and customer service probably has never been more in vogue now with more people



consuming all these online services, ecommerce. The way we actually can collect data on people, know what they're doing, be able to get the help we need, get it in real time, that's quite a stack that has to be put into place. That's a mountain of data. That's a lot of real-time interaction that's going to give the right presentation to the people in the contact centers providing support.

And that means you need to have the right tech. You need to have the right technology in place. So you guys, of course, we've seen everything ... People think contact center, they think about a cubicle farm, a bunch of people with headsets on and phones, but it's really changing quite a bit. The underpinnings of it are changing. Talk a little bit about what you see in terms of the development of technology in the space that you're in.

Rowan Trollope:

Well, yeah, you mentioned the cubicle farm with people with headsets on and I worked on one of those cubicle farms 30 years ago. And at the time, I thought this is silly. Every day, I'd come into work and take 50 calls and it was this like 40 of them were the same or 45 of them were the same 45 calls I took the last day and the week before. It was just like this is weird that, at the time, there was no better way to do it really, but 30 years later, and actually call it 25 years later, so five years ago when I started at Five9, I thought, "Hey, the technology has finally evolved to a point, and specifically with machine learning and AI, where I think we could start to solve this problem."

And the problem being the cubicle farm with human beings answering the same questions over and over again which is not very efficient and it's not very fun for the agents. It was pretty awful. It drives a huge amount of attrition. It's expensive for companies to deal with that and it doesn't deliver a great experience to customers, to the end user or the customer that product. So it's a lose-lose all the way around, this whole way of doing it. So my vision is like, in the next five to 10 years, that cubicle farm with headsets on, while it's smaller and more efficient than it was, it's going to probably go away for the most part. You're not going to see that as a feature of essentially every business in the world today that needs to engage with their customers.

The only way to do it is to hire a bunch of people and throw headsets on. That's going to be a thing of the past and that's not a new thing to say that, right? Companies have been saying that for a while, self-service and this and that. The reality is the world is a lot more complicated. It's very hard to create the perfect products and then give all the answers to people in a self-service way. There are always these exception cases. And when you have these exception cases, you don't want to have to employ human beings in every single one. We're never going to not have people in the picture, but we can have the people doing the work that's interesting and unique and high value and have the computers do all the call it low-value but high-volume work.

And that's the vision and the mission that we have been on and pursuing for the last five years. And now we've been taking a leadership position in AI and automation and actually making this vision become a reality. And we're starting to see customers at scale. We have a customer with 2,500 virtual agents answering phones and answering messages from customers. So it's really starting to take off, but it's still early days.



Daniel Newman:

So here's an interesting follow on to that. We are in a world where there's not enough people to do all the work. We've got this extremely low unemployment rate, but we also really have a tight labor market. Tech is competing endlessly to try to find talent, but even across the board, contact center-type role hard to fill right now. But we also have this contention between human intelligence and artificial intelligence. And so you're talking about how the future this customer interaction contact center might look, but at the same time, how do we position this to the world to show that it's making the world better and it's enabling the employees to grow and it's not ...

Like you said, it's getting out of that place that you looked at and said, "We don't need a cubicle farm. We want to uplevel all these people and upskilling these skills like a really nice idea," but we're in a world right now, where people want more interesting work. Technology can just displace or replace or uplevel, it can do all these above. So how do we deal with that kind of contention between human intelligence and artificial intelligence in the space at least where you're serving?

Rowan Trollope:

We don't view it as contention, we view this .... Our team has been talking about something called collaborative intelligence which is machines and humans working together, which I think is the best outcome here. But look, history is full of examples of technology eliminating, call it drudgery from human beings. You can go back to ... You ever watch Mad Men, Dan, that show, but I don't know, I used to watch that and they would have these pictures of the secretary pool. I guess the secretary pool used to be a thing. It hasn't been a thing since I've been in business, but it used to be a thing like a bunch of people sitting in cubes on typewriters, typing documents, right? Transcribing things. We don't have that anymore and I don't think anybody misses it, that world where we had to have basically manual, everyone do the typing for other people because we just didn't have computers in time or like bank tellers.

When I first got a job, you would go down every week with your check and walk into a bank and deal with a teller who did like a not very skilled job of taking your check, looking at it, putting it in a drawer and then taking out some cash and handing it to you or putting it into your bank account. Well, as soon as ATM came along, it was like, "Oh, gosh, we don't have to do that anymore," right? Now, the prognostication at the time was, "Hey, all the tellers in the US are going to go away, all the human beings doing this work are going to go away." Well, that's not what happened.

At the time, in the '80s, there was 350,000 tellers. Today in 2020, there's like 600,000 tellers because banks were able to reconfigure their retail presences and move from these huge branches that had hundreds of tellers and long lines to a branch inside of a Starbucks or inside of a Safeway or something and the tellers are more expert. They are like small-medium business specialists. They're people that focus on loans or insurance or this or that thing. So that's an example or two examples where we've seen these kinds of [inaudible] before, we're going to see it in the contact center and we are seeing it and that will be a huge opportunity for the tech companies that get it right.



Daniel Newman: So I wrote a book called Human Machine and we spend a lot of time focusing on this. I think you get it. I mean you clearly do and I think I get it. I don't necessarily agree that the world gets it. I think a lot of times every when we introduce new technology that's disruptive, people always feel threatened. When you add automation into workflows, people feel like, "Well, that's my job. Why are you automating my job?" So there's always a little bit of responsibility on us as leaders in tech to help the market understand and what you just said there, by the way, is probably the most important point. With ever industrial revolution, whether it was the one that drove the manufacturing line, the assembly line and we said, "Oh, we have a lot less jobs now," if you have an assembly line, well, there's more autoworkers now than there was by far, right?

And the point is, in every industrial revolution, it's created more jobs, not less. So we always think when the revolution starts it's because most of us aren't futurists. And even those of us that sometimes call ourselves futurists, we're not really futurists. We don't know. And the point is I think AI is going to create a whole economy and it will create a whole series of new jobs and I think that's really your story, what it really resonated with me at least, is that upskilling will happen and these jobs will not go away, they'll be different.

Rowan Trollope: Yeah, and it's easy. Part of the problem, Dan, is it's relatively straightforward to see what jobs are going to go away. It's very hard to imagine what might be created. That's the harder part. That's why we need entrepreneurs and new businesses and fresh thinking because again I don't think people ... Certainly actually at the time, we'll use the ATM example, people did not predict the way that the industry was going to unfold. It seemed relatively simple at the time. In fact, I think there was many news stories written about this like, "Hey, this ATM is going to put 350,000 people out of jobs." Well, not really what happened, but there are new jobs.

And same things, more recent example of that was like, "Oh, my God, what's going to happen to all the truck drivers when all the trucks are driving themselves," and that hasn't happened yet. It's taking longer than people thought, but it's still the easier to see what could go away, than to see what might be created. And you could just look around, my daughter is 31 years old. She's doing a job that I couldn't have envisioned 10 years ago. She's not working in a call center as her first job. She's off doing other crazy interesting things that didn't exist 10 years ago.

Daniel Newman: Nobody saw an industry like social media, professional TikTokers and ...

Rowan Trollope: Yeah, exactly.

Daniel Newman: Now they're out there, nobody saw that coming. Nobody saw day traders in crypto. There's all kinds of crazy things that popped up though that we didn't know crypto would be a thing. There's so many things that keep happening and they're disruptive. And again, there's only a few real trendsetters out there that get this stuff. I want to shift and keep this going into something else though. I wrote a book called The New Rules of Customer Engagement years ago, and I had a rule called The 88 Rule and there's a new data point. The 88 Rule was that 80% of companies thought they differentiated themselves somehow with their service and experience, but that only 8% of the customers actually agreed with that.



So 80% of businesses thought they were differentiated because of their great experiences, but only 8% of companies actually thought they were differentiated. Another data point that came out was that 62.4% of organizations "right now see the opportunity and evolving their CX transformation strategies to really stand out from their competitors." So the market still, this is like almost a decade since I wrote that book, still largely thinks they can stand out and differentiate using CX. You guys are at the center of this, the epicenter of the customer experience. Practically speaking, how can enterprises actually stand out?

Rowan Trollope:

Boy, that is a doozy of a question, Dan. That 88 Rule, it's pretty interesting. It does seem to ring true to my, at least as a consumer. 8% maybe even seems high of businesses and the customer experience that I personally receive. So I think you have to start out with this is not a technology problem. This is people actually getting into the details and caring enough to make a difference in this space. Because just it's easy to say but the contact center is like it's the place in ... I'll just go like relate to my own experience. The only time the CEO goes and visits the contact center generally in most companies is when something has gone horribly wrong like the phone system went down or something. People can't receive calls and customers are complaining and then the CEO [inaudible], "We have a call center? Where is it? Let's go deal with that."

I think that is still pretty much the case. It's not the sexiest part of most businesses. Most businesses have been offshored or sent to lower cost locations or even sent to BPOs and all kinds of other things. I just don't believe that ... Executives will talk about it, but actually going and visiting the contact center and seeing what agents have to deal with on a day in, day out basis, it's not generally high on people's priority list. That's, I think, the unfortunate truth. So in our industry, it has to become something where we have to ... it was like, "What is the role of the tech companies out there?" is to number one, just provide technology that can make this a more efficient enterprise in general like we talked about the cubicle farms going away. Okay, so we need to do that because that's like ...

You can't be just solving a manual problem just by throwing bodies at it. We have to give the contact center leaders and people who are in charge of customer service breathing room and then we also have to provide them with information to make the case to management as to why this is a good idea. And that information has been pretty hard to come by when you're overloaded with like, "What's our average handle time and what's the hold time on queues?" You have to create enough breathing room. I think the tech companies like ours, our job is to create enough breathing room for contact center operators to be able to start to shift from just treading water with cases and calls to like, "Hey, we have some new ideas on how we could actually give a better level of service to our end customer and actually could save money in the process."

So I think that that's what every person that works in customer service wants to do. It's just really hard to do. So our job is to give them the breathing room to do that. When you move to the cloud, that's certainly like one step. It's a better technology. It's more efficient. You don't have to spend so much time dealing with infrastructure and all that other stuff. And that's all about just providing the space to the people that know best how to solve these problems,



customer service leaders, and giving them the ability to do what they've always wanted to do but just never have been able to, maybe [inaudible] mediate problem.

Daniel Newman: Well, I always found that data so fascinating, but I think all of our experiences just tell us that. We don't leave a lot of places being blown away by how good this service is. We expect it to be good. So unless it's great, it doesn't really catch our attention. I used to always joke, Rowan, and I don't know if you'd agree with this, I said, "You're almost better off giving terrible service than average service. Because at least when you're terrible, people remember you. So when you're average, nobody remembers you." So I said, "You either got to be great or you're probably better." I don't know if that's a real...

Rowan Trollope: I don't know how that's working out for my cable company or the airline that I had to deal with recently.

Daniel Newman: It doesn't work out when you have a lot of competition, but I was being a little facetious about being ordinary isn't going to be good enough. So you do have to find a way to stand out. I want to end here though on a, just a comment you made at the beginning when I asked you what's going. You said you closed the biggest deal in history. And so a lot of times, the early days for SaaS and cloud and companies that come in is they tend to win these smaller OPEX deals. They win customers that didn't want to go down the big CAPEX spend and buy and scale and grow. And so going to a subscription service works.

But you said, "Hey, we just want our biggest deal of all time." By the way, you want it in a time when people are supposedly pulling back when the economy is about to shrink. And so I've been saying tech is deflationary. Certainly your kind of tech is, but what do you attribute this to? Is it ready for primetime now? Is Five9 going to move from being a cloud contact center for that growing enterprise to be the one that's going to be ready for the big enterprise? Now, I know you've had some big enterprise customers, I'm not saying you don't already. I'm just saying that's been one of the qualifiers. People have wondered, "Are you going to go get those 100 largest clients? Are you there now?"

Rowan Trollope: Yeah, we are there now, but it's not because ... It's not magic what happened is, three and a half years ago, we went to Wall Street and we said, "Look, we need to re architect our whole platform and we need to invest in innovation in the core platform of what makes us who we are." And at the time, again taking you back in memory lane, three and a half, four years ago, our competitors or at least our number one competitor was selling into the bigger enterprises than we were. And part of that was because the technology platform had didn't scale. So we told Wall Street, we're going to spend a lot more money on R&D which we did.

We hired, we more than doubled the number of engineers at the company and much more than that since then. And we spent three years redesigning and rearchitecting our platform, and as a result of that work, we're now, we believe, able to scale at twice the rate that our competitors are. We're able to scale up to the very biggest companies in the world. And of course, well, we can say that, but it really helps when a big customer with tens of thousands of seats, in fact, one of the largest contact centers in the world says, "Hey, I've chosen Five9." And they looked at



every other company, right? They had left no stone unturned, but that is a direct consequence of our product investment and the rearchitecture that we had started three and a half years ago, building in the scale and reliability and enterprise class a platform that was needed.

And what we now have is much more modern, much more high scale, much more high reliability, and as a result, we're starting to win these bigger and bigger deals. So I think, yes, there are more of those to come because there hasn't been a vendor in this space that could scale up to these largest companies in the world. And now, we made those investments and we're able to do it.

Daniel Newman:

Well, there you go. For the incumbents in the prem, I guess it's a watch-out moment, but in all serious, this has been the trajectory of these disruptive SaaS and cloud solutions that have come in. And oftentimes, it starts off with one market and the market sees how scalable and flexible and we always like talking about agile when we talk about digital transformation. So you and these types of cloud-based technologies provide all of those things. So Rowan, it's been a lot of fun hearing what's going on, debating a little bit about what's going to drive the future, about AI, about human machine relationships. So great to have you join me here for the Six Five March Summit 2022. Can't wait to have you back.

Rowan Trollope:

Thanks, Dan. Great to be here. Appreciate the time.