

---

# THE CLOUD AS A CUSTOMER SERVICE SOLUTION

Jeremy Schwartz – Global Chief Investment Officer  
06/02/2020

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.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

**IMPORTANT INFORMATION**

**U.S. investors only:** Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

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.