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Global PwC Service Study 2023

Current Situation and Future of
Contact Center Outsourcing



pwc



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1 Introduction



Matthias Riveiro,
Partner,
Customer
Transformation,
PwC Germany

Dear readers,

I am delighted to present the latest edition of our study on Customer Relationship Management (CRM) and contact center outsourcing. In contrast to our previous publications and surveys, the analysis no longer refers to the German market but looks at the industry from a global perspective. This means we are taking a closer look at different regions and countries to identify the geographical differences and particularities in the CRM and contact center outsourcing market and highlight relevant regional correlations against the latest crises and effects on our economies. The aim is to provide all markets with benchmarks and best practices and derive findings that will support companies to transform customer service strategies and related operating models.

Hence, this study delves into current trends and technological shifts and examines market penetration and agent advancements. In this context, it is crucial to consider the geopolitical landscape, which significantly impacts business success and compels service providers to optimize their cost and revenue structures. A key element is the transformation towards more digitalized solutions, the so-called “2.0 services”. The shift towards more digital services including the reduction of human interaction already belongs to the most relevant issues on the agenda of CEOs around the globe.

These revolutionary shifts are further exemplified in the realm of M&A transactions. Recent acquisitions involving industry leaders like Webhelp and Concentrix, as well as Majorel and Teleperformance have been successfully concluded and are poised to exert a profound and lasting influence on the market.¹ It remains to be seen which companies will follow this approach and harness synergistic effects through M&A transactions.

These market changes demand a thorough examination of critical success factors for contact center operators and their clients.

I would like sincerely to thank everyone who contributed to the study, especially the individual PwC teams from around the world and the clients who provided valuable real-world content to our study.

Matthias Riveiro

A handwritten signature in blue ink, appearing to read 'Matthias Riveiro'.

Signature

¹ Due to the recent merger, it is noteworthy that the mentioned companies are, for the most part, still considered separately within the scope of the study



2

Customer service: Today's key to success

The current relevance of customer service

In today's competitive market, customers have become intolerant of frustrating situations and have higher expectations for a consistent and positive customer experience. Therefore, it is crucial for companies to enhance their customer service to meet these expectations and avoid potential negative consequences.

For companies seeking a crucial differentiator, customer service stands out, especially in fiercely competitive industries characterized by interchangeable products. In business models where customer service is an integral part of the product, such as premium and luxury goods, delivering high-quality customer service is essential for business success. The consequences of getting it wrong are significant: A study by Zendesk found that more than 60% of customers switch to another provider after just one disappointing experience, an increase of 22% over the previous year.²

Companies have noted this issue and have made growing investments in customer service to ensure they provide a unique experience to their customers. In an ideal scenario, consumers may speak positively about their experience, providing invaluable word-of-mouth referrals, thus anchoring this experiential value in the minds of consumers. In other cases, high-quality service and positive customer engagement can allow companies to compensate for missed marketing or sales activities.

Contact center BPOs are facing major challenges

Companies need to respond flexibly to a rapidly changing environment to deliver outstanding customer experiences and remain competitive in the market. This is evident in the growing demand for digital customer solutions such as AI and a strict regulatory landscape that requires businesses to build additional functions and capabilities.

Geopolitical factors such as the Russia-Ukraine crisis, inflationary pressure due to the pandemic, and increased minimum wage in Europe contribute to higher costs for service providers.

Growing expenses because of increased salaries and related costs are exacerbated by the shortage of skilled workers in some parts of the world, forcing companies to operate their

² Zendesk

contact centers from low-wage countries in a boost to near- and offshoring. In light of this, greater attention must be paid to employees' language skills and intercultural competencies, both essential to excellent customer service.

Considering these factors, contact center BPO providers face significant challenges that demand proactive and decisive responses.

Figure 1 Overview of the major challenges for the CRM and contact center market (own illustration)



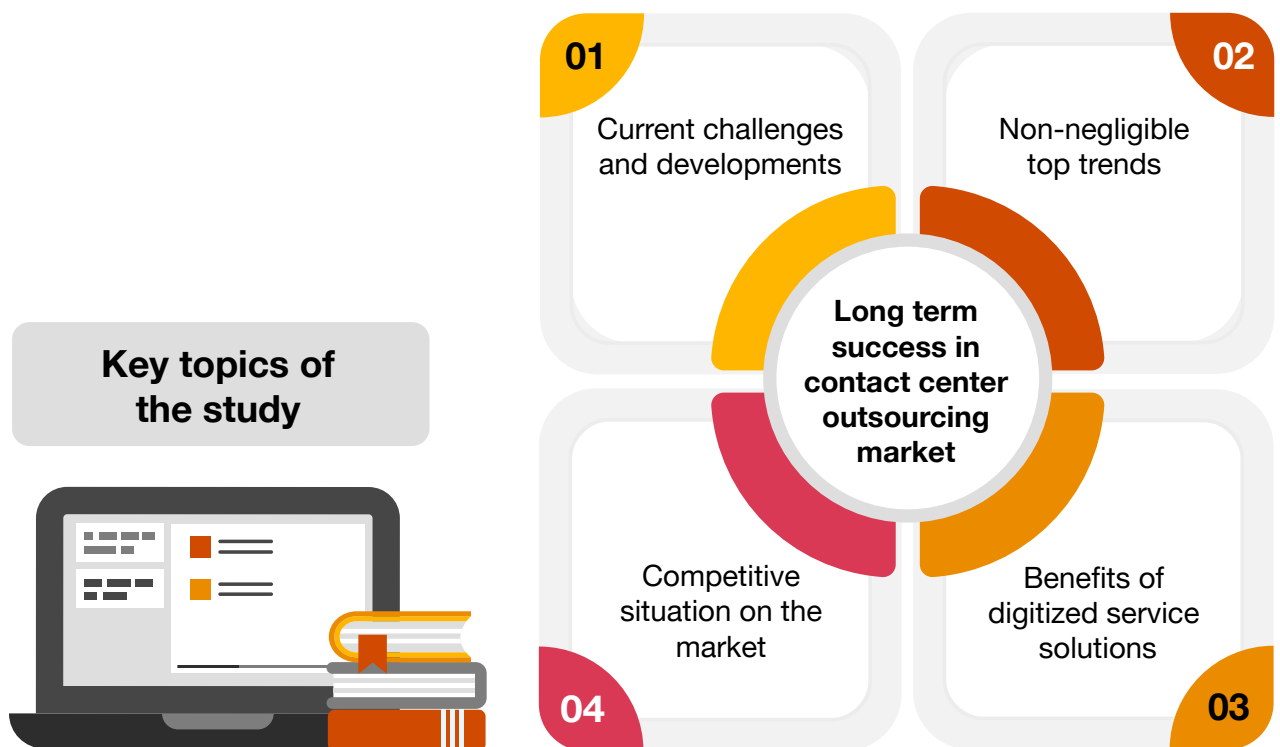
Objectives of the study

How is the contact center outsourcing market evolving to meet current challenges and a complex geopolitical environment? How have the key regions for the global CRM and contact center outsourcing market evolved over the past few years? What trends should service providers take heed of? And what contribution can automated customer service make to meet growing customer demands within the new era of AI and related IT solutions?

To answer the most critical questions in the global CRM and contact center outsourcing market and provide insights into the status quo, PwC Germany conducted this latest Global Service Study 2023. The report aims to equip key decision-makers in the global CRM and contact center outsourcing market with valuable information to help them respond to market challenges and better meet expectations for customer experience.

Figure 2

Key topics of the study (own illustration)



The 2023 study is a follow-up to the “Customer Practice Germany” studies of 2018, 2020 and 2022, which revealed trends and developments in the contact center outsourcing market in Germany. This latest iteration provides a more comprehensive view of the market on a global scale, drawing on insights and expertise of PwC companies worldwide.



Structure of the study

To fully cover the topic of the CRM and contact center outsourcing market, the study is divided into two main parts. The first section provides insights into the status quo and developments from a global perspective, including key industry figures, current top players in the market, M&A transactions, relevant top trends as well as technological developments.

The second part of the report looks at the CRM and contact center outsourcing market from a business perspective, with PwC experts from across the globe providing in-depth country- and region-specific analysis. Furthermore, the agent perspective offers information tailored to specific countries or regions, including details on wages, qualification levels, and potential nearshore regions.

The entire analysis includes spillovers from the pandemic, and current geopolitical developments, to provide a transparent and accurate representation of individual market factors.

From a global perspective...

- Global key figures
- Global trend analysis
- Global competitor analysis

...to a regional in-depth analysis

Regions



Countries





3

Worldwide market development

The global CRM and contact center market in numbers

The COVID-19 pandemic significantly impacted the contact center market in several industries. Businesses worldwide experienced increased call volumes, especially for travel-related or medical issues. Consumers were prompted to seek information about cancellations or refunds due to flight bans imposed to contain the virus. Simultaneously, medical contact centers performed a critical function in disseminating information about contagious events.

Thanks to the growing adoption of digital transformation, the market has benefited from improved customer experiences and satisfaction. The resultant efficiency gains, increased scalability, and reduced costs have supported business success in the sector. With companies now able to serve a larger number of customers, small and medium-sized enterprises will also benefit from implementing digital solutions.

The global CRM and contact center market is in a state of constant expansion

The CRM and contact center market can be considered stable and is estimated at US\$353bn. As shown in Figure 3, the in-house business accounts for 70%, while the outsourcing segment makes up a smaller share of around 30%, corresponding to an absolute value of US\$106bn.

A closer look at the region-specific distribution of the CRM and contact center outsourcing market reveals that North America is the largest market, with a share of 42%. This commanding position can be attributed to the growing adoption of outsourced contact centers and the implementation of advanced technologies, including multi-channel communications and voice analytics. These technological advances have significantly optimized performance and led to a remarkable improvement in the overall customer experience, which has driven up demand.

Europe emerges as the second largest market, with a considerable share of 24%. The European market demonstrates stability, primarily driven by the expansion of key sectors like travel, healthcare, and e-commerce, all of which adeptly leverage technological advancements to retain their existing customer base while attracting new clients. Such strategic initiatives contribute to the market's growth and resilience.

The Asia-Pacific region also commands a substantial 23.5% share of the market, indicating the region's growing significance and potential. South America (6%) and the MEA region (4.5%)

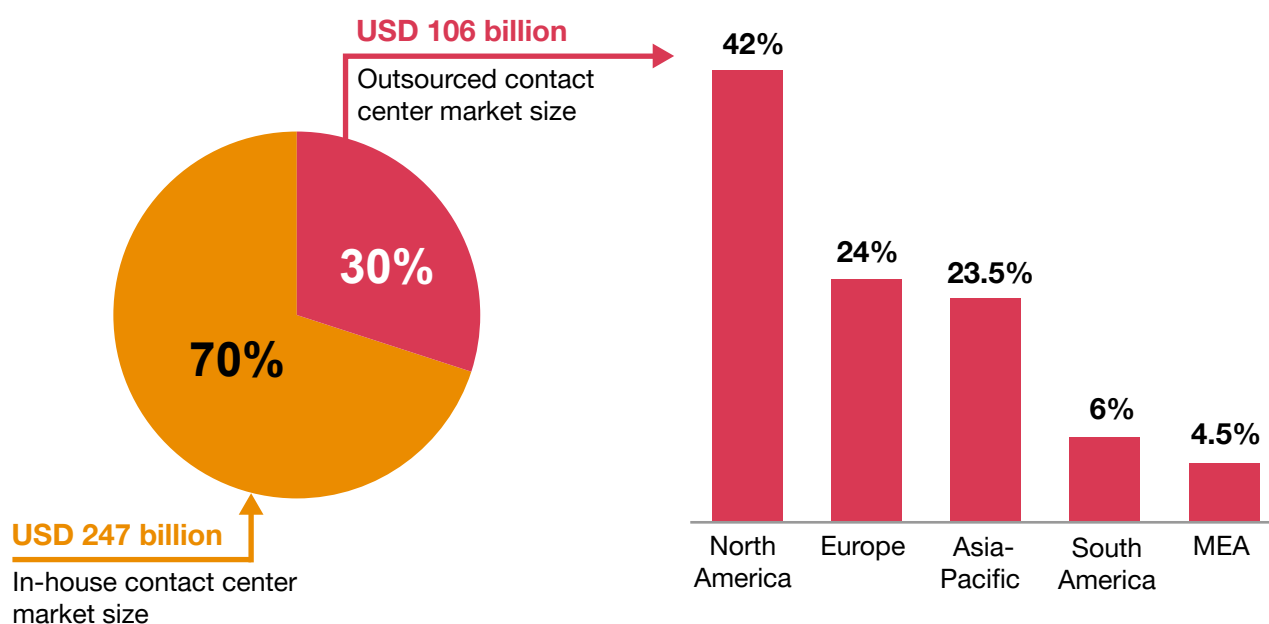
contribute to the market, albeit with comparatively smaller market shares, showcasing their role and involvement in the industry landscape.

The global CRM and contact center outsourcing market also shows strong potential for the future, as the industry is expected to grow at a CAGR of around 3.7% from 2021 to 2025.³ Reasons for the upward trend include the post-pandemic recovery, the stabilization of the global supply chain network, increased product demand coupled with higher market prices, and increased personnel costs. Customer service is also playing a vital role in serving increasingly sophisticated products as well as the rise of online retailing. Service via contact centers is expected to steadily increase, while physical customer service is likely to continue declining due to the growing dominance of digital commerce.

As indicated above, the rapid growth of Asia-Pacific can be attributed to companies outsourcing from North America and Europe to APAC. This is done to leverage the excellent and often multilingual local talents at a low cost. Similarly, the rising adoption of cloud-based delivery models in contact centers can also be considered a growth driver as they enable new pricing models and create flexibility.

What factors contribute to individual companies' remarkable success in these regions? Is it primarily influenced by market conditions or the strategic orientation at a company level? These insights will be explored in the subsequent section.

Figure 3 Global market overview and deep dive into the outsourced sector (own illustration)⁴



³ Technavio

⁴ Technavio, Everest Group, PwC

Market environment and M&A transactions

The CRM and contact center outsourcing market features fragmentation, with a multitude of smaller and less recognized providers characterizing the landscape. The prevailing major players presently account for approx. 40% of the market share, signaling a relatively moderate level of concentration. Teleperformance and Concentrix stand as global industry leaders, commanding widespread recognition and acclaim owing to their substantial presence and esteemed reputation. Moreover, Webhelp, Foundever, Capita, Majorel, Transcosmos, Conduent, Atento, Telus, and Ttec have solidified their positions as indispensable competitors in the contact center outsourcing market, further enriching the industry's landscape with their established market standing.



Why are top contact center BPO providers so successful?

Leading global players tend to differentiate themselves by providing a wide range of digitalized products and services, often leveraging cloud computing and AI, and gaining a competitive advantage and greater pricing power by delivering these solutions at scale. With customers primarily viewing affordability as the key differentiator, this cost-efficiency is paramount, while product quality and innovation also play a role. Data security measures are also a growing concern, especially as new technologies and digital services continue to shape the CRM and contact center outsourcing market.

Leading providers have recognized these concerns and proactively addressed them to improve customer acquisition.

In light of the ongoing skills shortage, leading companies have invested in talent management and engagement initiatives in an effort to become more attractive employers. In addition, market leaders have established multilingual centers to meet their customers' language needs and drive higher levels of customer satisfaction.

However, a major question remains: how are companies developing their digital capabilities? The following section sheds light on the strategic initiatives companies undertake to establish a competitive advantage by fostering mature digital capabilities.



The global CRM contact center outsourcing landscape is converging

As previously indicated, the competitive environment in the global CRM and contact center outsourcing market is intense. To maintain a strong position, key players are increasing their size based on inorganic growth strategies. Hence, service providers are entering strategic alliances, merging, or acquiring other companies, resulting in a dynamic market environment. In many cases, vendors focus on acquiring technology and platform providers and other immediate market participants, mostly start-ups or smaller service firms. Over the last five years, the large number of transactions on the global market, amounting to 175, can also be attributed to this continuous market consolidation.⁵ Likely, the number of M&A activities between contact center BPO providers and other market players will increase in the coming years.

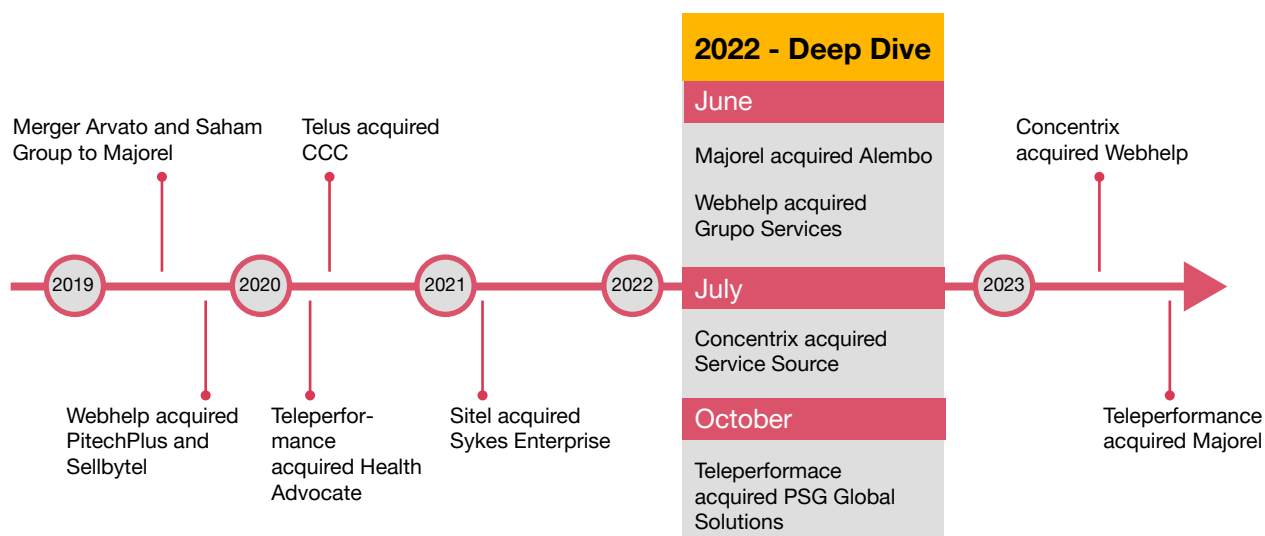
This presumed increase is attributed to the potential synergy effects arising from strengthening the digital and technological capabilities of service providers and enhancing their global reach flexibility. Additionally, providers can extend their supply chain capabilities, offering a broader range of products and services in real-time. Concentrix, for example, one of the leading players

⁵ Merger Market, PitchBook, PwC

in the market, already generates 90% of its revenue from long-term integrated and strategic brand partnerships, highlighting the positive results of an inorganic growth strategy.⁶

To offer insights into recent M&A activities in the global CRM and contact center outsourcing market, we've included a selection of relevant transactions below.

Figure 4 M&A activities from 2019 to 2023 (own illustration)⁷



In 2019, a significant deal took place when the pan-African Saham Group acquired major parts of the Arvato CRM Solutions business from Bertelsmann. The deal resulted in the creation of Majorel, one of the world's leading providers, with over 48,000 employees in 28 countries. The deal also expanded global footprint for Majorel, particularly in the Middle East and Africa.⁸

One year later, Telus acquired Competence Call Center (CCC), a digital and IT-focused CX company. Through the horizontal acquisition, Telus expanded its customer experience product portfolio with digital offerings and increased its presence in 11 European countries with 8,500 new employees, pushing Telus to almost 50,000 employees worldwide.⁹

In 2021, the Sitel Group made one of the largest contact center outsourcing takeovers of recent times with the acquisition of Sykes Enterprises, resulting in the group becoming one of the top global CX leaders. The deal added several new delivery locations and strengthened the company's global footprint. In early 2023, the Sitel Group announced a significant rebranding effort as Foundever, with a mission to become the number one CX provider in the market. This rebranding reflects the company's strong commitment to customer experience and determination to surpass its competitors.

⁶ Concentrix

⁷ Company websites, Merger Market, PitchBook, PwC

⁸ Majorel

⁹ Telus

Looking ahead, Webhelp has executed its strategic vision by building strong partnerships in the industry. A significant collaboration involved Grupo Services, a renowned CX BPO and technology solutions provider based in Brazil. The acquisition of Grupo Services has enabled Webhelp to establish a global presence with 213 sites across 58 countries while boasting an impressive workforce of over 110,000 individuals. Grupo Services' extensive portfolio of digital services, including chatbots and omnichannel optimization, has further expanded Webhelp's digital footprint, giving it a significant edge in the marketplace. The company's focused digital strategy has proven to be highly successful, having been implemented in 2019 with the acquisition of PitechPlus, a leading software solutions expert.¹⁰

Concentrix, also aimed to strengthen its digital expertise by acquiring Service Source, a global B2B digital sales company. The acquired capabilities enabled the company to meet growing customer demands with exceptional customer experiences.

In addition, key vendor Teleperformance completed the acquisition of PSG Global Solutions in 2022. The company leverages a state-of-the-art technology platform enabling the automation of critical stages in the recruitment process, strengthening Teleperformance's specialized services business and creating a competitive advantage in its recruiting practices. Teleperformance has also focused on its specialized service segment by acquiring Health Advocate, a consumer-focused health platform provider, for around US\$690mn in 2020.¹¹

Leading contact center BPO player Majorel also aims to enhance its market position by continuing its geographic growth strategy with acquiring Alembo in a takeover that intensifies the targeted expansion of its nearshore and offshore capacities.

More recently, the merger between Webhelp and Concentrix has caused excitement throughout the industry. The transaction has been one of the most significant of the last few years, bringing together two already strong vendors and creating a powerful new force in the CX market. With expected revenues of approximately US\$9.8bn and adjusted EBITDA of US\$1.6bn in 2023, the combined entity will have a major impact. It is anticipated that the merger will create added synergies by leveraging the complementary offerings of both companies, thus enhancing their long-term success.¹²

In April 2023, prominent industry leader Teleperformance strategically unveiled its intent to augment its capabilities by acquiring Majorel. The merger between Teleperformance and Majorel was finally completed in November 2023, solidifying their position as leaders in the digital business services sector and boasting an estimated annual revenue of approximately US\$12bn. Notably, this strategic move is poised to significantly enhance the competitiveness of both organizations on a global scale.¹³

As a result, the industry is eagerly watching the developments and looking forward to seeing what these new CX giants may bring to the table.

¹⁰ Webhelp

¹¹ Teleperformance, Nasdaq.com

¹² Webhelp

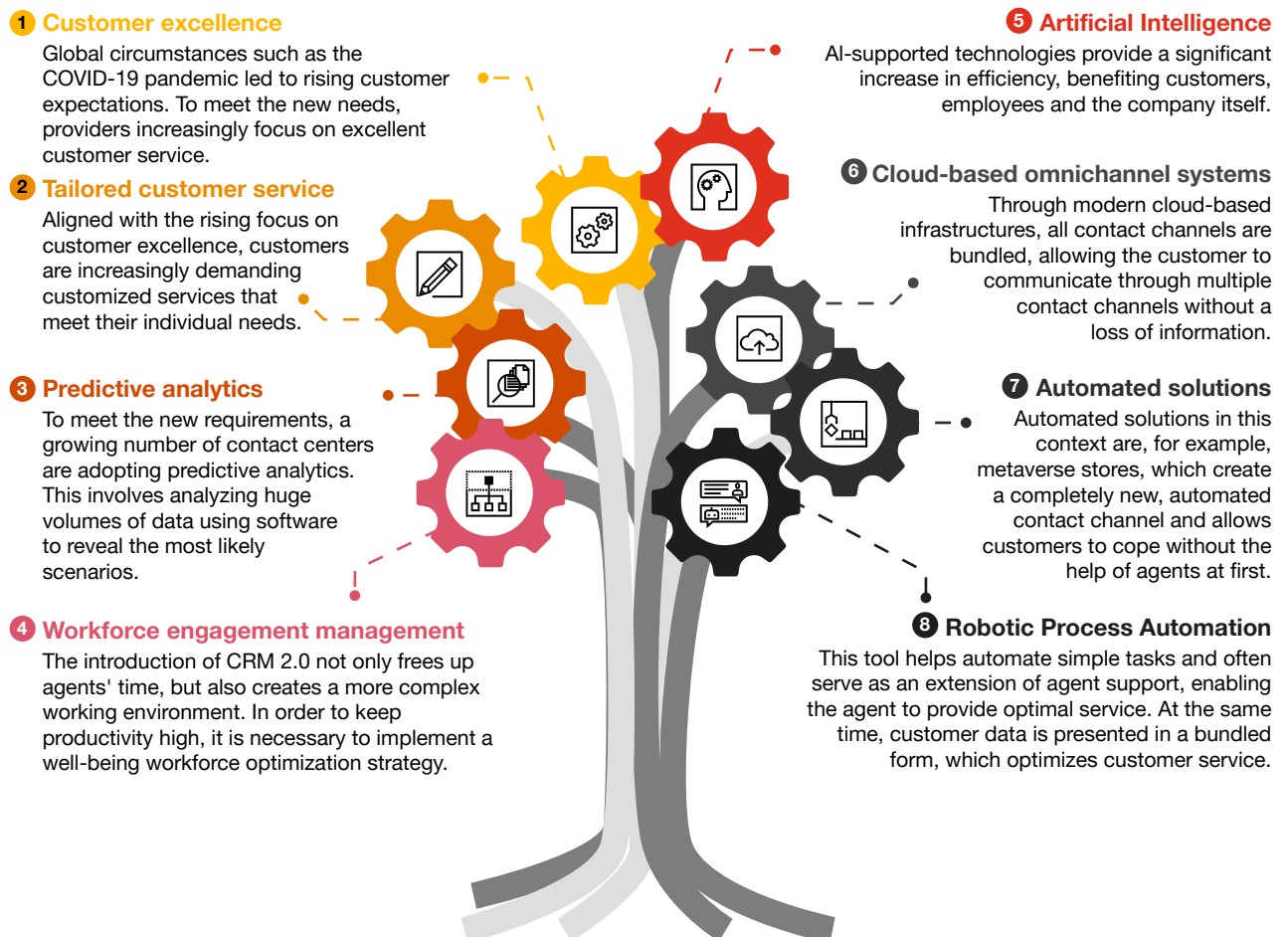
¹³ Teleperformance

Market trends and technological shifts

This dynamic market environment and the ongoing global crisis pose significant challenges for companies, making it critical for companies not to lose focus on excellent service solutions for their customers. In a survey of several thousand private and business customers worldwide conducted by Salesforce, 88% said they are convinced that the customer experience is just as necessary as the products and services offered.¹⁴ Consequently, today's service providers must consider current customer service trends. The following trend tree in Figure 5 provides a comprehensive overview of emerging market trends and technological changes affecting the outsourced CRM and contact center market.

Figure 5

Overarching customer service trends and technological shifts (own illustration)



¹⁴ Salesforce

Market trends in the CRM and contact center market

1 Enhance customer excellence to meet rising customer expectations

The COVID-19 pandemic had a powerful impact and prompted customers to reconsider their values. Today, customers have higher expectations of contact center operators, which manifests itself in various ways. According to a study by Zendesk in 2022, nearly half of respondents said it is important to speak with an empathetic and helpful employee.¹⁵

Modern consumers expect customer service to be available anytime and anywhere. Therefore, businesses should have the capacity to address their concerns around the clock and ensure swift issue resolution. Moreover, service providers must offer multiple channels for customers to choose their preferred mode of communication and customize their experiences. It is imperative to prioritize the establishment of support functions that respond flexibly to customer concerns and to integrate them with self-service solutions.

2 Tailored customer service has become more important than ever

Successful customer service is characterized by personalized experiences. In fact, consumers are more likely to choose a company that provides a service that is tailored to their personal needs, expectations, or circumstances, which may be as simple as a personalized email or product offering delivered at the right time and place. As a result, hyper-personalization - a marketing concept that leverages real-time data and Artificial Intelligence to deliver personalized and sophisticated customer solutions - is becoming increasingly important for service providers.

Hyper-personalization not only creates a competitive advantage for businesses but also has a positive effect on customer retention, as shown by a recently published Statista report that revealed that over 60% of respondents are less loyal to brands that do not offer a customized experience.¹⁶

3 Use predictive analytics to turn data into insights and create transparency

To meet the growing expectations of consumers and drive long-term customer retention, companies are forced to develop a deep understanding of their customers. The ultimate discipline is identifying what customers want before they know it themselves. This requires the innovative collection and usage of data from multiple touchpoints in a customer relationship, such as purchase information, communication channels and primary research.

However, companies must be transparent about collecting and processing personal data. A growing number of customers are critical of data collection, especially in Europe, where the General Data Protection Regulation (GDPR) came into force in May 2018. GDPR is an important milestone in terms of how companies handle customer data, and defines how personal data is stored, handled, and processed, thus creating trust and benefiting the customer experience.¹⁷

¹⁵ Zendesk

¹⁶ Statista

¹⁷ Gartner, Zendesk

4 Improve workforce engagement management to manage employees efficiently

The growing number of hybrid contact centers requires a realignment of the onboarding, evaluation and coaching of employees. With the rise of digitized contact channels such as chatbots, agents are increasingly responsible for more complex and emotional customer requests. A positive work environment that encourages productivity is crucial for the proper handling of such customer demands, which may require a shift from operational to employee well-being workforce optimization to manage and retain customer service agents holistically.

The digital transformation enhances customer experiences

5 Artificial Intelligence and Natural Language Processing as key growth driver


Artificial Intelligence (AI) is an umbrella term for various applications in which machines simulate human intelligence. AI enables companies to offer efficient and cost-saving customer service by letting intelligent systems take over activities performed initially by humans. This enables an optimal balance between the constantly targeted cost savings and high-quality standards in customer service, making the use of Artificial Intelligence increasingly necessary for service providers. However, since many customer queries are currently still resolved with the help of humans, companies need to aim for effective interaction between AI and agents.

One excellent example of AI in customer service is chatbots. These intelligent software applications use Natural Language Processing (NLP) and AI to understand customer needs better and act as virtual assistants. By simply entering their concerns into a chat window, customers can receive an immediate, virtually indistinguishable response from that of a human agent. In this context, NLP is employed to perform a sentiment analysis, allowing the chatbot to interpret the emotions and expressions of the customer and respond accordingly. NLP also provides real-time translation, allowing customers to converse with a chatbot in their native language. For more complex issues, the AI-controlled chatbot can even direct the customer to the appropriate department for further assistance. This ensures more accurate routing, reduces turnaround time, increases customer satisfaction, and enables contact centers to save on personnel costs.

Another key example of AI is ChatGPT, which has received significant attention recently. ChatGPT enhances customer support by providing multilingual assistance, personalized responses to queries and complaints, and an extensive FAQ database, all without the need for human agents. However, the level of trust placed in the tool's responses remains a subject of scrutiny.

6 Cloud-based omnichannel systems for holistic customer care

An omnichannel cloud contact center uses modern cloud-based infrastructures and services that enable customer experiences across multiple touchpoints by bundling all contact channels



such as phone, chat, email, or social networks. Since third-party providers manage and host the infrastructure for the respective contact center in their own data center, companies no longer need cost-intensive and extensive on-premises installations. Businesses also benefit from increased customer satisfaction thanks to shorter processing times for queries and greater flexibility in the selection of communication channels.

Despite the clear advantages, there are still concerns about data security, as the data is located in the cloud environment of the respective provider. However, most companies use data centers that comply with strict data protection guidelines, especially in Europe.

7 Integrate automated and digitized solutions to shorten processing time and save resources

Contact center operators are increasingly challenged to combine personal customer care with the greatest possible efficiency through modern technologies. The latter is particularly suitable in the case of standardized customer concerns that can be processed easily with the help of machines. These include chatbots, which can simulate human conversations by mechanically interpreting and answering customer queries. Automated solutions can also support personal customer advice, such as FAQs or Interactive Voice Response (IVR). The latter is an automatic voice dialog system that forwards the caller to the appropriate customer service representative according to the selection made in the system menu.

The metaverse is also contributing to digitized solutions. The digital parallel world offers excellent flexibility in terms of customer issues, technology, business integrity and marketing and could serve as another contact channel that allows companies to expand their digital horizon. Online customers could soon face a VR store where they are supported by virtual agents, making it easier for providers to plan staff capacity and other resources. With its real-time monitoring, the metaverse addresses the urgent problem of data breaches and fraud.

8 Robotic Process Automation – The all-rounder response to key challenges

Robotic Process Automation (RPA) is an easily configurable software solution that can be combined with existing systems (such as SAP) to automate regular and frequently recurring activities (including changing a phone number or resetting a password). It can aggregate customer data from different systems and present it to agents in a single interface, giving them a 360-degree view of their customers.

This minimizes the pressure on contact center agents, allowing them to focus on their core activities. The greater efficiency enables quicker handling of customer queries and fewer errors, delivering greater customer satisfaction and a better customer experience.

RPA can solve several key challenges in contact centers: Customer retention, increasing agent performance, process improvement, and modernization. These benefits explain why more companies are choosing to deploy robotics technology.



What implications do these developments hold for contact centers?

A closer look at current trends reveals a dynamic change in the working environment of contact center agents. Technological progress plays an important role in simplifying agents' workflows while also increasing the complexity of their tasks. With the elimination of repetitive activities, agents are tasked with more demanding jobs requiring higher training and interpersonal skills.

In light of these developments, contact center BPOs must allocate more resources to training and hiring to meet the evolving demands of the job. This is especially critical given the growing popularity of freelance platforms like Yoummday, which provide a platform for freelancers to work on customer service projects. Such websites pose a threat to the traditional contact center business model.

To remain competitive and successful in the marketplace, contact centers must balance the benefits of technological advancements with the value of investing in their human capital. They must recognize the importance of upskilling their employees and provide comprehensive training programs to equip their staff with the necessary knowledge and skills to deliver outstanding customer service.

The significant impact of emerging technologies like AI is also addressed by an expert from the tech giant Microsoft in his guest contribution, providing intriguing insights from real-world experience.

Guest post: Microsoft



Name: **Jeff Comstock**

Position: **Corporate Vice President**

Department and Company: **Dynamics 365 Customer Service, Microsoft**

Within the next two to five years, Generative AI will completely transform contact center operations and the customer service experience to a far greater degree than all the advancements we've seen in the past 30 years combined. The improvements will span all service aspects and processes that we know of today, from customer self-service to how knowledge is created, maintained, and used across the organization and with customers. One area of welcome transformation will be the experience and productivity of customer support agents.

Today's typical customer support agent spends the majority of their time juggling many different applications simply in an attempt to pull together the information needed to answer basic customer questions. This endless toil with inadequate tooling is a key driver for agent dissatisfaction and industrywide high turnover. Generative AI will automate and streamline many routine tasks for agents, freeing them up to connect with the customer and, once the initial issue is resolved, act as the brand ambassador by helping the customer gain even more value from the brand's products and services.

While we are very early in the application of Generative AI in the contact center, the results we are already observing give us a strong signal on the transformational value it will have in this area. In just the first six months of rolling out our GenAI powered Copilot to agents at Microsoft (who use the Dynamics 365 Customer Service product), we've seen AHT improve by 12% in some areas, for example. We're also seeing these capabilities close the gap between senior and junior agents as GenAI not only handles tedious work - like summarizing conversations and cases for wrap-up - but also gives them answers from trusted knowledge sources within the flow of customer engagements. In some cases, this extends to Generative AI even composing customer-ready responses on behalf of agents.

Looking forward, GenAI tooling such as Copilot will continue to offload more and more drudgery from the daily work of agents, enabling them to perform as super-agents. This will allow them to focus on the more fulfilling aspects of their jobs - such as delivering more personalized and empathetic service - and using their creativity to solve truly unique challenges as they arise. As GenAI also dramatically increases the capabilities of self-service bots and IVRs, agents will begin supervising the automation. This may happen by agents stepping in when the confidence level of an automated response or the customer sentiment falls beyond a particular level, then seamlessly handing it back to the automation once back on track, essentially blurring the lines between self- and agent-assisted service.

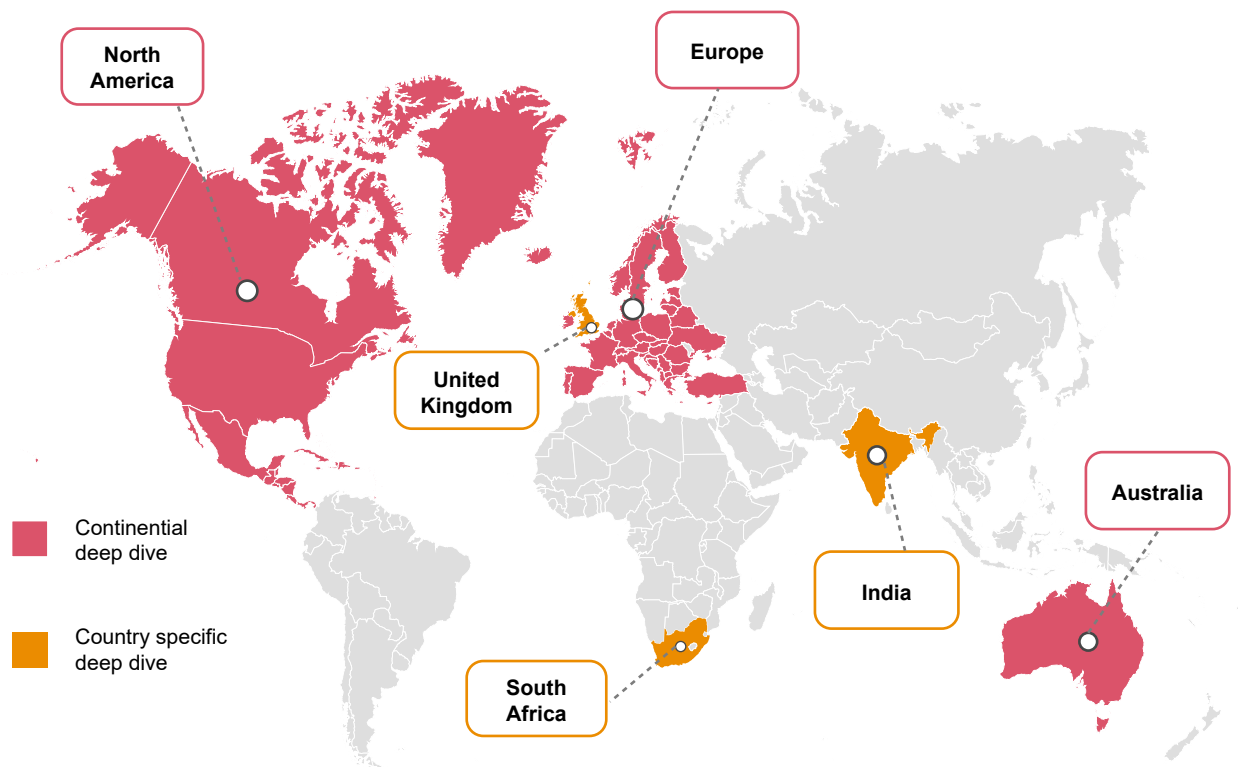
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Regional insights: CRM and contact center outsourcing market

In the CRM and contact center outsourcing world, understanding the characteristics of different regions is essential to success. While the previous chapter provided an overview of the global market, the upcoming sections will closely examine specific regions and countries (see Figure 6).

Figure 6

Regions covered in our in-depth analysis (own illustration)




Among these regions, North America holds a prominent position, having dominated the CRM and contact center outsourcing market for years. While the continent's size plays a role in its success, other factors such as specialized industry knowledge, adaptability regarding rapidly changing client needs, and access to latest technology contribute to its competitiveness. Our in-depth analysis of this region will uncover the uniqueness of the continent, including its competitive advantages and future market developments.

Europe is another major player in the CRM and contact center outsourcing industry, often referred to as the world's central hub. The fragmented market in Europe lends itself well to the CRM and contact center outsourcing industry, as it allows providers to cater to the specific needs of individual countries and regions. However, this also brings challenges, as some circumstances are better in one country than another. By examining different parts of Europe, we can gain insights into the variations in favorable conditions, including the competitive advantages and disadvantages that providers may face. In this regard, it is worth taking a closer look at the UK. The UK is among the most significant players in the European CRM and contact center outsourcing market. With the largest market share in Europe, it has been a popular destination for providers looking to expand their operations. However, as in any region, there are unique challenges to outsourcing in the UK. For example, the country's decision to leave the European Union has created uncertainty around the future of trade and regulation, which can impact the CRM and contact center outsourcing industry. By taking a closer look at the region, we aim to find out what makes the UK so unique and how the market will develop over the next few years.



In the context of Western-influenced countries, it is also intriguing to examine the Australian CRM and contact center market. The propensity for reshoring and nearshoring practices in response to the disruption caused by the COVID-19 pandemic underscores the desire of companies to maintain continuity and adaptability in their contact center operations. This emphasis is particularly evident in voice interactions as companies strive to meet customer requests for local agents. Australian organizations can effectively address evolving demands while ensuring high service quality and operational efficiency by leveraging contact center BPO



providers that offer the flexibility to rapidly scale operations with onshore and nearshore agents. These factors make the Australian market an intriguing and dynamic landscape for outsourcing opportunities.

With the Asian continent, we are encountering a rapidly growing market that is becoming increasingly attractive for contact center BPO providers. Rising costs and a shortage of skilled workers in other regions have prompted numerous companies to relocate their tasks to Asian countries. In this context, India is a major Asian country that has become a central hub for contact center outsourcing. This reputation is primarily due to the Indian workforce, which is affordable and highly skilled, making it an ideal choice for companies seeking outsourcing solutions.

Finally, South Africa is emerging as an offshore region that offers unique advantages for contact center BPO providers. Its brand strength, highly skilled workforce, and diverse range of services make it a popular destination for big players in the market. However, it also presents challenges, including a lack of infrastructure and political instability in some areas.

By exploring each of these regions in-depth, we can better understand the unique opportunities and challenges that contact center BPO providers face in different parts of the world.





4.1

Deep dive

North America

Authors

**Brian Kaplan, Mindy Hsiang, Anna Daggs,
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4.1 Deep dive: North America

As previously emphasized, North America is firmly established as the epicenter of CRM and contact center enterprises. This remarkable achievement is a result of more companies seeking external providers to respond to a surging need for prompt, tailor-made, and premium services. Consequently, companies have been challenged to transcend their internal capabilities and seek the expertise of contact center BPO providers to broaden their service portfolios and cater to increasing customer demands.

The North American CRM and contact center market in numbers

Over the past two decades, the CRM and contact center outsourcing market has grown significantly due to innovations in cloud computing, enabling technologies, and the expansion of 5G networks. These new capabilities allow contact center BPOs to scale efficiently and effectively, offering services in real-time anywhere in the world.

By the numbers:

- 4% CAGR over the next three years and 5% over the next eight years¹⁸
- 43% of contacts required a nearshore contact center BPO presence¹⁹

Contact center BPOs rely on technology but require the workforce to operate them. In the US market, the Philippines stand out as the largest provider of contact center services, having the most significant market share of all outsourced contact centers. This is primarily due to the



¹⁸ Aircall

¹⁹ CustomerServ

Philippine Economic Zone Authority (PEZA), which offered tax incentives as a benefit of business expansion, as well as a customer-centric approach and proficiency in English.

It is important to note that nearshore outsourcing is growing in demand from a US perspective due to shifts in the US labor market and regulatory standards.

Technologies and the shift to CRM 2.0

Improvements in CRM technology focus on harnessing the power of 360 customer views, voice and conversational UI, Generative AI, machine-learning and automation, collaboration tools, and omnichannel capabilities that allow a customer to seamlessly transition from a self-service portal to a chatbot to a live agent and back again, all based on their personal preference.

Contact center BPO providers are expected to utilize CRM 2.0 capabilities to offer a proactive and personalized customer experience. They achieve this by mining data from multiple sources to create a more comprehensive picture of each individual customer. These technologies help automate, streamline, and standardize processes to increase efficiency and lower service costs while providing an enhanced, differentiated customer experience.

Predictions indicate that growth will occur in voice-based channels. Meanwhile social-media based channels remain stable and text-based channels slightly decline in the next few years until 2025.²⁰


By the numbers:

Channel type distribution: North America - market share 2022-2025 (%)

The North American market from a contact center BPO perspective

Type	2022	2023	2024	2025
Voice-based	43.7%	44.0%	44.3%	44.7%
Text-based	36.7%	36.4%	36.1%	35.7%
Social media-based	19.5%	19.6%	19.6%	19.6%

²⁰ Everest Group



Customers today expect on-demand, personalized, high-quality service experiences. Certain companies are experiencing hypergrowth or “hockey stick” growth periods to keep up with that growing demand. Teams that may have started with a single room of agents simply could not build in-house quickly enough to achieve the scale needed to support their global footprint of customers.

However, when growing that quickly, many companies fail to think in the long term. They are generally not looking for the optimal experience but the highest speed and lowest costs. In their search for outsourcing vendors, our client sought out qualities such as scalability, employee satisfaction, and continuous improvement efforts before deciding to partner with a contact center BPO provider.

The customer comes first

Today, our client’s service teams are over 95% outsourced in a regulatory environment that exceeds GDPR standards, but several driving factors helped guide them in their transition from entirely in-house to current state operations:


- **Consumer first mentality:** With customer Net Promoter Score (NPS) as their north star, they’re continually operating and making decisions with the customer top-of-mind.
- **Price sensitivity:** Every cost incurred by the organization must be factored into the product price that consumers pay. Therefore, the emphasis is on avoiding unnecessary or frivolous costs.
- **Price arbitrage:** Focus on quality first, then minimize costs. Consider keeping lower-skilled jobs in lower price point markets (e.g., automated or self-service interactions).
- **Investing in talent/skills:** In certain aspects of the business, cultural sensitivity and adaptation to regional norms are crucial. This justifies a higher expenditure to ensure contact center BPO providers deliver the required quality, competence, and capability.

Route to the right agent at the right time

Our client values the employee experience, even for vendor partners. They strive to integrate the broader company culture into their contact centers, moving away from the traditional image of endless rows of phones and desktops in an open floor plan setting.

Furthermore, as their product line has grown, our client has had to adapt its service operations accordingly. While in the past, agents only needed to be skilled on a single product, today, issues are routed to multi-skilled agents based on quartile management. Quartile management focuses on matching agents to customer inquiries that align with their areas of interest and expertise. While this routing technique is often leveraged at the team level, our client uses advanced systems that identify individual strengths at the agent level, identifying skills such as language proficiency or specific technological prowess.





To further incentivize performance, our client also dictates the minimum pay wage for their vendor agents based on local analysis. They define this as the minimum livable wage, which often amounts to 20% more than the local minimum wage. An incentive pay model and internal recognition opportunities are subsequently built on top of that baseline pay structure. While the customer comes first, our client is also heavily invested in key agent metrics such as Agent Satisfaction (ASAT), as the two go hand-in-hand. Any correlative data between ASAT and Customer Satisfaction (CSAT) only helps our client identify further opportunities for improvement.

Listen to your customers and how they want to self-serve

While our client firmly believes that “deflection at all costs” is a misguided or limited approach, they do look at Customer Effort Score (CES) to determine how difficult it was for the customer to reach a self-service or deflection point in their journey. Looking at that data point helps our client understand whether their solutions are consumer-friendly and ensures the service content they create (e.g., knowledge articles, how-to videos, etc.) resolves the issue.

Net Promoter Score (NPS) serves as their north star, guiding all service-related decisions. However, they have also identified over 15 distinct “listening moments” across the consumer lifecycle to collect both implicit (e.g., text analytics across social media platforms) and explicit (e.g., post-support surveys) tertiary data. Our client places less emphasis on typical agent KPIs, such as Average Handle Time (AHT), to ensure the customer’s issue gets resolved and their resultant NPS is positive.

The North American market through the eyes of a contact center agent

Employers struggle to attract the correct type of talent in terms of language skills and qualifications, while low pay and inflexible schedules continue to worsen the situation. Across North America, contact center agent salaries can vary significantly based on location, industry, required skill sets, and education level.

Despite high unemployment rates noted during the pandemic, applicant flow for contact center jobs has been inconsistent. Contact centers cannot compete with larger retail, warehousing, and restaurant brands, such as Walmart, Amazon, and McDonald’s that can offer higher wages. The staffing shortages at many contact centers have led to a greater need to lean on outsourcing providers for adequate support.

Not only is it hard to attract talent, but the right skills for specific market needs can be equally hard to come by. Despite the growing number of bilingual speakers in the US and Canada, ZipRecruiter identified an underlying gap in desired skill sets and candidate qualifications. For example, while roughly 60% of contact center jobs ask for bilingual speaking skills, less than 45% of applicants had language skills listed as qualifications on their resumes.

By the numbers:

- As of September 2022, contact center employment rates were expected to decline by 2% from 2018 to 2028²¹
- The average salary for a contact center agent in the US is US\$15 per hour or US\$31,180 per year. In Canada, average hourly wages are higher, at approximately US\$21.10 per hour and US\$43,838 per year, with an average annual bonus of US\$763²²

Technological advancements and regulations

Eliminating inbound calls

Today, our client has no inbound voice or IVR option available to customers. Instead, they utilize a “click to call” concept, allowing the customer to request a scheduled time for a callback about their issue. This eliminates long hold times and allows our client to better manage call volumes. Their “digital first” approach offers the opportunity to guide the customer to a self-service channel when suitable. If a human agent is needed, the system routes the issue to the appropriate agent based on quartile management.

Migrating digital deflection into the product experience

Given the nature of their business, when our client thinks about redistributing customer inquiries to lower volume channels, they look to answer two critical questions:

1. Is the customer’s issue “solvable”?
2. If yes, where can we best solve their problem with the least disruption to their current experience?

These queries are important because they determine, for example, the amount of customer data available to our client’s agents or the level of technology they can leverage during their interaction with the customer. Through this lens, our client can identify which problems are good candidates for self-service or automated resolution processes and which are better routed to the contact center and may require live agent interaction due to extenuating circumstances.

Our client is continually searching for the most convenient way for consumers to interact with their brand. This search involves using service-to-sales techniques and educating customers on how to prevent future problems from occurring in the first place. However, the goal is to offer the best real-time support experience that does not require customers to disengage from the brand.

Strive to be helpful, not harmful

When dealing with real-time customer feedback, there is a fine line between leveraging customer and product data to help resolve an issue and managing privacy concerns. Our client strives to be proactive, notifying the customer of a problem as soon as it arises. However, operating in a strict regulatory environment means accounting for highly scrutinized and often litigious considerations.

²¹ TDS Global Solution

²² Zippia

While there are strict regulations around using telephony data for marketing, it is generally more flexible when used for service or transactional purposes. This is because it assumes that the consumer initiated the interaction and sought support from the company. Our client must continuously monitor data regulations across state and country lines to ensure they manage customer data appropriately.

Evaluation of the North American CRM and contact center outsourcing market

Following an extensive analysis of the North American contact center market, the subsequent phase involves a meticulous assessment that addresses strengths, weaknesses, potential opportunities, and threats.

Figure 7

SWOT analysis of the US from a contact center perspective (own illustration)





Strengths

- **Cost savings:** Contact center BPOs serve as a center of excellence that absorbs overhead costs for their clients.
- **Access to specialized skills and technology infrastructure:** Contact center BPOs have a large pool of highly skilled professionals and invest heavily in IT infrastructure to support their operations to quickly provide scaling opportunities.
- **Improved efficiency and productivity:** Businesses can focus time and energy on developing their core competencies and strategic priorities that will differentiate them in the marketplace.
- **Scalability and seasonality:** Demand-based flexibility can be helpful for businesses with fluctuating demand or seasonal cycles.

Weaknesses

- **Quality concerns:** Cultural and language barriers can directly impact the quality of interaction and affect key metrics such as NPS and CSAT.
- **Security and confidentiality risks:** Contact center BPOs must invest in strict security measures to protect their clients' data and information.
- **Dependency on a third party:** Concerns around service level agreements, overall quality of service, and potential disruptions to operations come into play when leveraging a contact center BPO provider.
- **Limited control over operations:** Especially for businesses in heavily regulated industries (financial services, healthcare, etc.) with strict compliance requirements, it can be risky to release control over operations to a third party.

Opportunities

- **Expedited globalization post-pandemic:** The ability to optimize hybrid working styles allows executives to critically assess workforce management (near- or offshore) models and strategy.
- **Capability mix optimization:** Many companies seek to outsource repetitive or manual tasks to lower-cost providers so they can invest in developing core differentiating capabilities in-house.
- **Technological advancements:** Next-generation technologies (e.g., cloud computing, CRM 2.0, etc.) force rapid growth in contact center BPO capabilities and enable providers to continuously improve their service offerings by finding more efficient, cost-effective solutions for their clients.

Threats

- **Cost-sensitive competition:** With many providers offering highly similar services, contact center BPOs must compete heavily on price, quality, and pace of innovation to both attract and retain clients.
- **Talent retention:** Contact center BPOs rely heavily on skilled professionals, but they struggle to attract and retain new talent with the requisite skill sets quickly enough to address current demand.



- **Technological disruption:** Many companies are balancing nuances such as providing a personalized experience without invading privacy, and the rate of technological disruption only exacerbates those concerns.
- **AI Advancement:** Rapid advancement of Generative AI requires companies to understand how to leverage while abiding by security concerns.

Conclusion

In summary, North America wields significant global market influence, primarily due to its substantial share of 42% within the broader CRM and contact center outsourcing market. This accounts for a value of US\$44.5 billion within the sector.

The decision to outsource specific tasks, activities, or services to a contact center BPO provider heavily hinges on a company's unique composition. Factors such as its operating model, industry, company culture, competitive advantage, customer relationships, and more play a crucial role.

For successful and effective outsourcing, a company should deeply understand its core capabilities, CRM ecosystem, and broader competitive environment. This knowledge helps determine the right mix of activities to be outsourced, whether to an onshore or offshore contact center BPO.





4.2

Deep dive

Europe

Authors

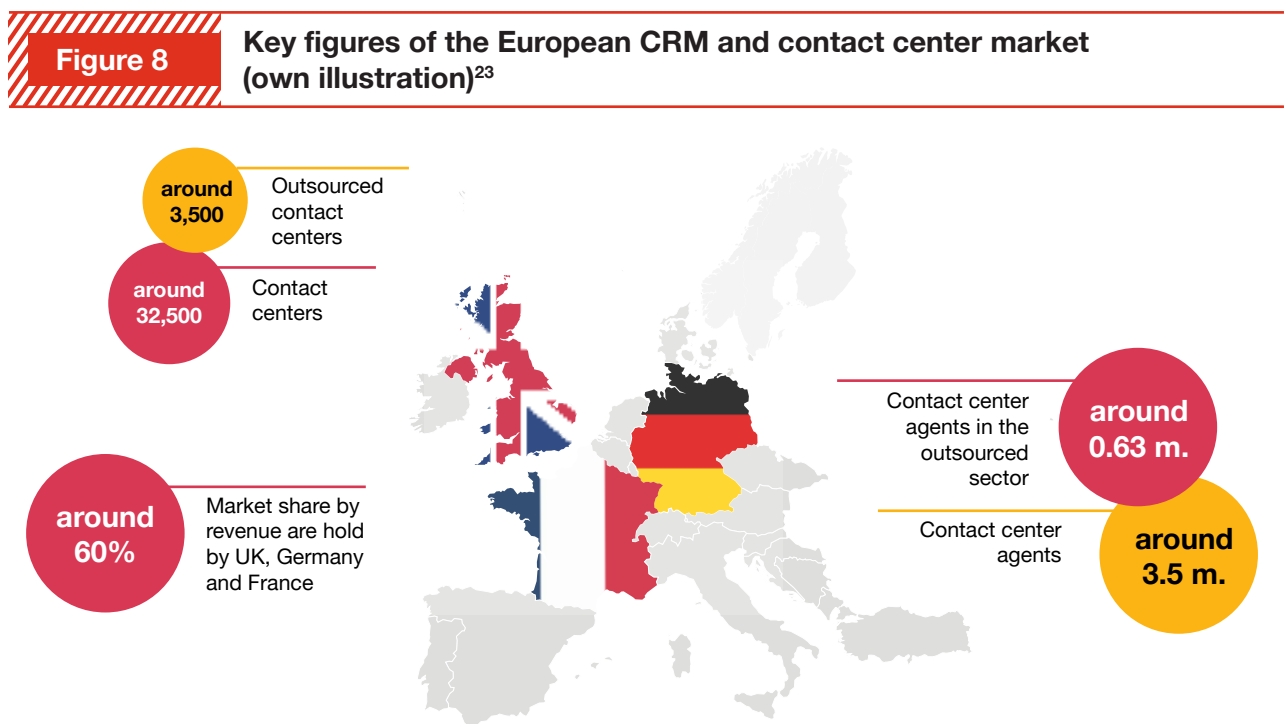
**Matthias Riveiro, Julia Bülow, Julia Decker,
Katharina van den Boom**



4.2 Deep dive: Europe

As one of the leading regions in the CRM and contact center outsourcing market, it is indispensable to take a closer look at Europe. Due to the increasing level of digitalization and innovation, the COVID-19 pandemic and the popularity of e-commerce, the regional market has grown significantly in recent years and will continue to do so. While countries such as Germany, the UK or the Nordic countries are among the more advanced regions with reasonable wages and relatively high technical standards, Eastern European countries still need to be developed further but will play a crucial role in the future of the CRM and contact center outsourcing market. To provide a comprehensive insight into the market, quantitative and qualitative aspects are considered in the following, including relevant market indicators, the competitive environment, and technological developments.

The illustration below presents a concise overview of relevant key figures mentioned in the following section with a summary of valuable insights and information.



The European CRM and contact center market in numbers

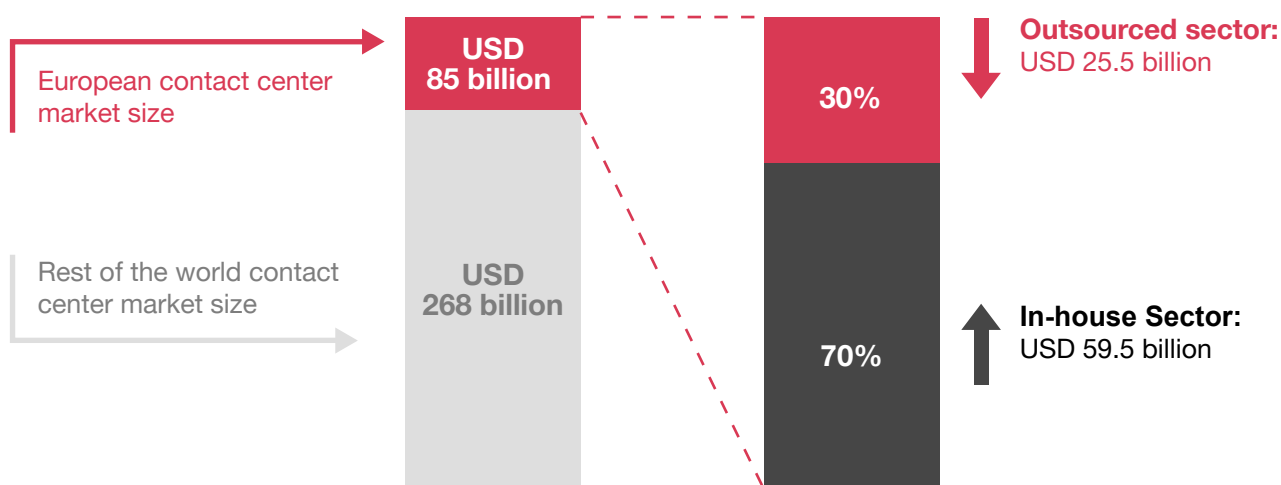
Europe emerges as an intriguing market for CRM and contact center outsourcing providers, as evidenced by relevant market indicators in Figure 9. Notably, the total size of the contact center market stands at around US\$85 billion. In line with global trends, in-house operations continue to dominate, with an estimated value of US\$59.5bn, representing approximately 70% of the

²³ Technavio, CBI – Ministry of Foreign Affairs, PwC

market. Consequently, the outsourcing sector constitutes a smaller portion, estimated at around US\$25.5bn, roughly 30% of the market. Nevertheless, the European outsourcing market secures the second position in terms of global outsourcing revenue, holding a 24% share.

Taking these factors into consideration, service providers of various sizes, including smaller businesses and startups, may find the outsourcing sector to be an appealing choice. This appeal can be attributed to the relatively higher costs associated with equipment and personnel and the expanded options for contact channels.

Figure 9 Market share and sector distribution in Europe (own illustration)²⁴



UK, Germany and France are clear winners in the market

When examining the regional distribution of the European CRM and contact center outsourcing market, it becomes evident that the United Kingdom, Germany, and France emerge as the three largest markets in terms of revenue (see Figure 10). The former has a market share of approx. 30%, which can be attributed to various factors. Companies rely comparatively strongly on rapidly adapting new technologies around CRM 2.0, which means that Big Data analyses or automation can increase efficiency and create added value for the customer.²⁵ In addition, numerous employees on working visas have left the UK due to Brexit. This consequently resulted in a shortage of skilled workers in in-house centers, which encouraged outsourcing. Countries such as Germany and France, on the other hand, impress with strong economic conditions and a large pool of multilingual talents that allow companies to offer their services in many different languages, resulting in a larger potential customer base. Accordingly, the German market accounts for almost 20% of European revenue, while France has a slightly lower share of around 10%, as shown in the following figure.²⁶

²⁴ Technavio, PwC

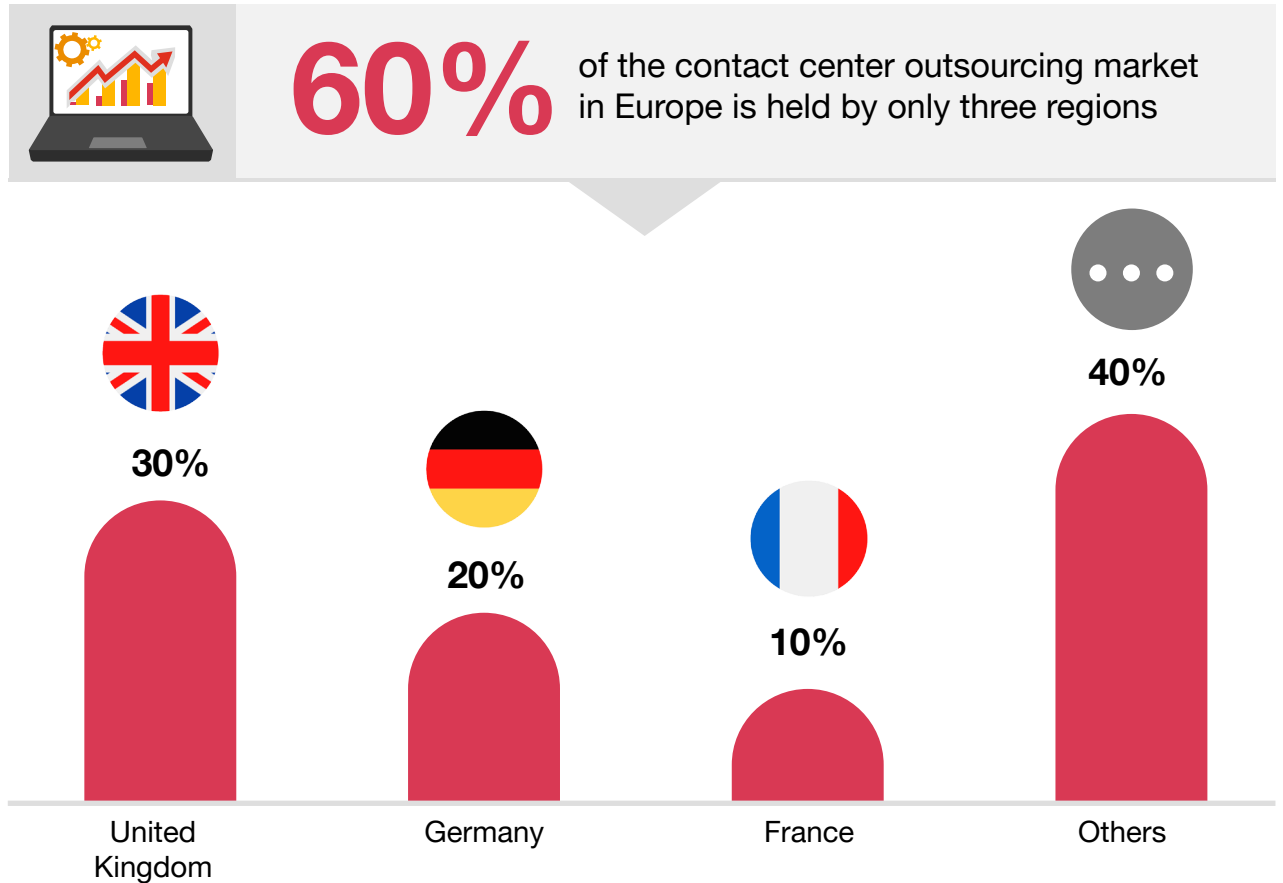
²⁵ Technavio

²⁶ Technavio, PwC

Figure 10

Market share distribution in Europe by country (own illustration)²⁷

European contact center outsourcing market - regional distribution



The European CRM and contact center outsourcing market felt the effect of the COVID-19 pandemic, although the extent of the impact varied widely across industries. Tourism was one of the most heavily affected sectors, largely due to significant travel restrictions, which led to a surge in service calls. On the other hand, the e-commerce sector experienced substantial growth as the pandemic boosted online shopping, prompting companies to rely more on contact center support rather than in-person consultations. This increase in online business contributes to the ongoing growth of the CRM and contact center outsourcing market. As a result, the outsourcing segment is expected to maintain a growth rate of 3.4% CAGR until 2025.²⁸

Another key growth factor is the increasing digitization of customer service through new technologies such as Artificial Intelligence or other automation such as self-service tools or automatic routing systems. The increasingly established intelligent solutions help to speed up the processing of requests and provide the customer with a better experience. Service providers

²⁷ Technavio, CBI – Ministry of Foreign Affairs, PwC

²⁸ Technavio

benefit from increased customer satisfaction and efficiency as well as reduced costs, which will positively impact company success in the long run.

Despite their targeted growth, contact center operators are grappling with escalating challenges that must be addressed to safeguard a company's market position. The consequences of the COVID-19 pandemic and the ongoing Russia-Ukraine crisis have led to a significant increase in prices, as indicated by the average inflation rate in the eurozone for 2022, which stood at 8.4%. This price surge encompasses energy costs, significantly driving up business expenses and necessitating cost-saving measures.

As prices continue to rise, wages are expected to increase over the long term to counterbalance inflation. This is evident in the minimum wage increases within the eurozone in 2023, which further impact the cost dynamics of service providers.

Given these cost-intensive challenges, nearshoring is gaining attractiveness among service providers in the European market. With comparatively lower wages, it provides contact center BPO providers with an opportunity to achieve cost savings and ensure long-term success. For more in-depth information, refer to page 49.



The European market from a contact center BPO perspective





Similar to the global landscape, the European CRM and contact center outsourcing market is highly fragmented and competitive due to the strong presence of regional and international service providers. This tense environment is expected to intensify as global players continue to expand in the market, making the situation even more challenging for companies. Among the leading companies in the industry are service providers such as Teleperformance, Capita, Foundever, Webhelp, Majorel, Comdata Group, Concentrix, Transcom, Telus and TCS due to their strong position in the market. Collectively, these companies command an estimated market share of approximately 40%²⁹, underscoring their significant influence in the contact center outsourcing segment.³⁰

²⁹ Statista

³⁰ PwC

Figure 11 displays the top 10 contact center BPOs in the European market and pertinent market data to illustrate the competitive landscape.

Figure 11 Overview of the European top providers (own illustration)³¹

	Estimated CXM revenue Europe (million USD) ¹ 	Market Share (in %) ² 	Sites Europe (estimated value) ¹ 	FTE Europe (estimated value) ¹ 
Teleperformance	3,126	13.0	148	111,150
Capita	1,605	7.0	64	30,250
Foundever	1,493	6.0	71	59,660
Webhelp	1,344	5.0	148	48,000
Majorel	1,318 ³	N/A	N/A	26,900
Comdata Group	1,020	4.0	83	32,640
Concentrix	1,020 ³	N/A	48 ³	31,800 ³
Transcom	0,504	2.0	4	19,900
Telus	0,311	1.0	32	8,950
TCS	N/A	N/A	7	N/A

¹ Based on 2021 values (except sites and FTE of Webhelp and Concentrix), ² Calculated based on the outsourced European market volume for the year 2021, ³ Numbers refer to the entire EMEA region

In particular, the strength of Teleperformance is unparalleled. With a substantial market share of approximately 13%, a revenue of US\$3.1 billion in 2021, and approximately 148 locations across Europe, the provider has a strong market position in the region.

Capita, Foundever, Webhelp, and Majorel are closely competing in the European market, with each holding a market share ranging from 5% to 7%. It is certain that competition among these providers will intensify as each endeavor to secure a larger market share. Consequently, there may be prospects for acquisitions or partnerships in the forthcoming years, driving additional growth. This trend is exemplified by the recent merger between Concentrix and Webhelp or Teleperformance and Majorel, which is bolstering the positions of the individual providers in the market.

The bottom half of the top 10 includes Comdata Group, Concentrix, Transcom, Telus, and TCS, each holding a market share ranging from 4% down to 1%. Acquiring other businesses may be an efficient strategy to secure more market share and capabilities for these companies.

³¹ Everest Group, PwC, company websites

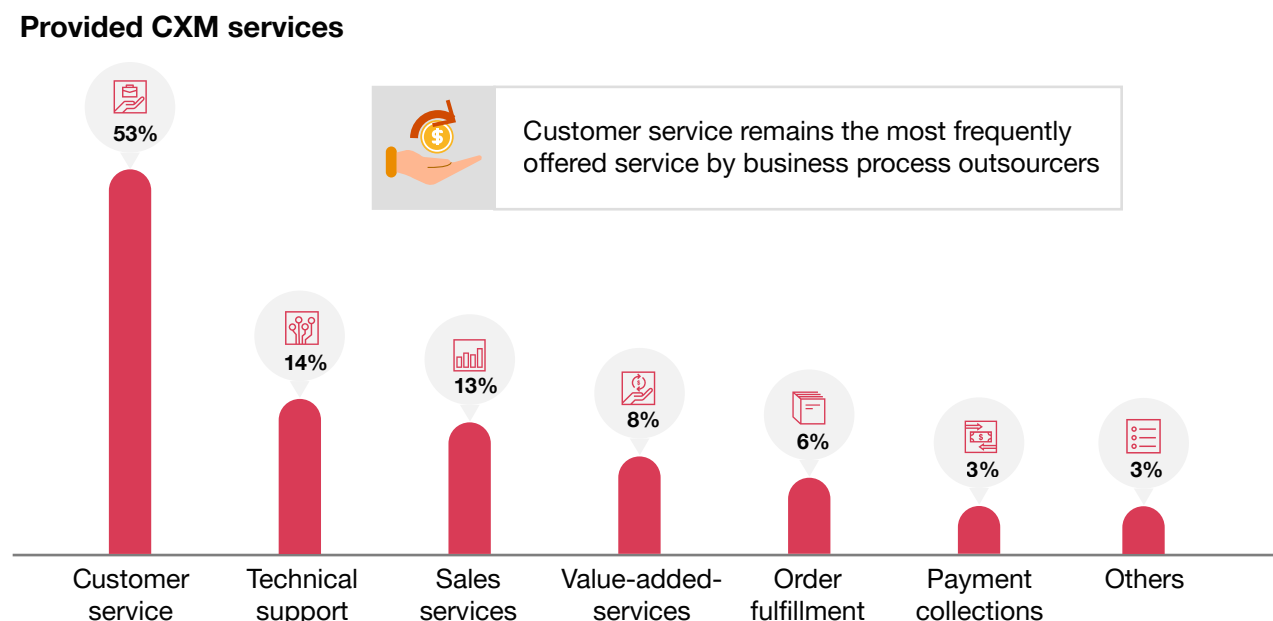
These kinds of M&A activities help providers to withstand new competition and expand their market share. As a result, the market is increasingly consolidating, creating a dynamic environment for service providers. Nevertheless, both inorganic and organic growth strategies enable companies to enhance their infrastructure, strengthen their human resources capabilities, and expand their client portfolios. Thanks to strategic alliances with technology companies, service providers can introduce new digital tools such as AI, automation, and virtual reality. In this way, they can offer a superior customer experience and a holistic service approach through end-to-end solutions, leading to increased customer satisfaction. Which specific services are typically offered by contact center BPO providers, and what the industrial distribution of offerings looks like is examined in more detail in the following section.

Major contact center BPO providers offer a wide range of different services

In today’s business landscape, companies recognize the importance of focusing on their core operations. An emerging trend is the widespread adoption of sophisticated contact center outsourcing solutions to achieve this. Accordingly, staffing and recruiting processes are no longer required, and customer inquiries can typically be resolved more efficiently and quickly. Likewise, businesses benefit from technological advances and customer experience (CX) knowhow that positively impact customer interactions and business outcomes.

To offer customers an exceptional experience and to stand out from the competition, current top players differentiate themselves by providing a wide range of services. As can be seen in Figure 12, these include customer service (53%), technical support (14%), sales services (13%), value-added services (8%), order fulfillment (6%), payment collection (3%) others (3%). Such innovative and customer-centric services are also in the interest of increasingly demanding customers, whose expectations have become higher than ever.

Figure 12 Distribution of services offered by outsourced contact centers in Europe (own illustration)³²



³² PwC, Technavio, Statista, IDC, SMQ, Teleperformance

The European market is dominated by the IT and Telecom industry

These previously shown solutions are primarily offered by contact center BPO providers across various sectors, with specific industries showing particularly promising prospects in Europe. Most notable in this context are the telecom and IT industry, which account for a customer share of 36%, as can be seen in Figure 13. This sector is poised to substantially contribute to the growth of the CRM and contact center outsourcing industry in the upcoming years. This outsourcing maturity is due to the strong presence of global telecommunications companies such as Vodafone, Telefonica, and Deutsche Telekom. Besides that, the banking, financial services, and insurance (BFSI) sector is highly relevant in the European market with an estimated share of 23%, which can be attributed to increasing investments in self-service channels or mobile/web banking to remain competitive with FinTechs.

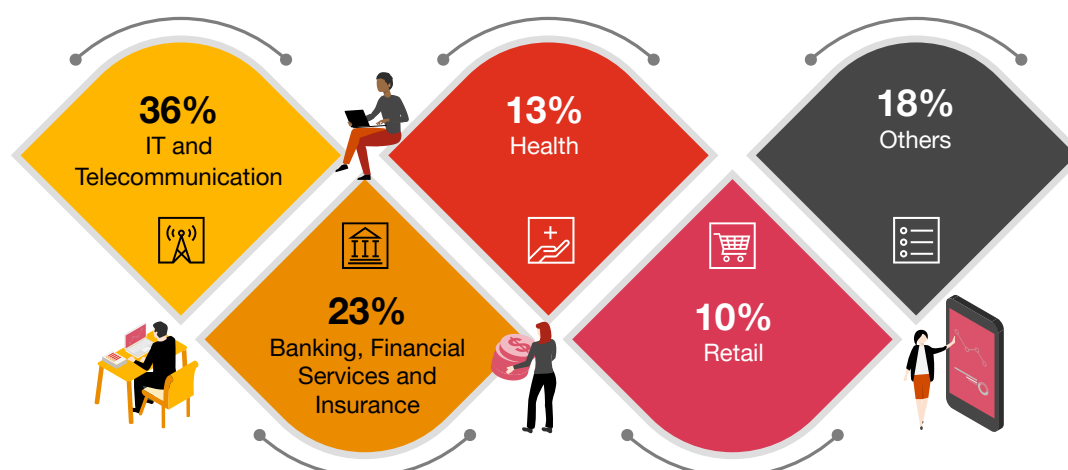
It is also worth looking at the healthcare industry, which accounts for 13% of the contact center outsourcing business. Customer demand was particularly boosted during the COVID-19 pandemic, as healthcare-specific issues increased dramatically. To meet the growing customer demands, companies are increasingly focusing on contact center outsourcing solutions, which offers the opportunity for further growth in the coming years.

Similarly, the retail or e-commerce industry has emerged as one of the fastest-growing sectors, as online shopping has resulted in a tremendous increase in demand for customer service solutions. In addition to that, spendings on advanced analytics, customer journey mapping, and sales services has increased, leading to higher buyer shares.

In addition to the previously mentioned factors, it's worth noting that among European countries, Germany has a significant proportion of buyers from the manufacturing sector. This can be attributed to the increased production needs following the pandemic. Conversely, countries like Spain, Italy, and Portugal exhibit high demand for services in the energy and utilities sector, which can be explained by the strong presence of this industry in those regions.

Figure 13

Industries served by European outsourced contact centers (own illustration)³³



³³ Everest Group, Technavio, PwC

Having gained a better understanding of the service and industry distribution of contact center BPOs in Europe, we can now take a closer look at the number of contact centers in the region to gain insight into the current market situation and existing infrastructure.

Contact center providers possess a diverse range of contact centers within Europe



According to the figure above, contact center BPO providers maintain an extensive network of diverse contact centers within the European market, although the numbers can vary greatly due to various factors such as M&A transactions, market trends and economic conditions. The COVID-19 pandemic and the associated conversions to remote working options, also likely impacted the distribution. Accordingly, many have switched to home-based working options, which may have prompted contact center operators to reduce office space or to do so in the long term.

On the other hand, there remains a significant demand for contact center agents and a current shift from in-house contact centers to outsourcing solutions, which means the number of contact centers is likely to remain stable. It is estimated that there are around 30,000 to 35,000 contact centers in the market, with in-house business accounting for a substantial portion. In contrast, the number of outsourcing centers is significantly lower standing at around 3,500. Due to the size of the market and the strong outsourcing presence, many service centers are situated in countries such as the UK, Germany, and France. However, several other countries also have a significant presence in the contact center market.

³⁴ Frost & Sullivan, PwC

Compared to their counterparts in the United States, service centers in Europe are often categorized as small- or medium-sized, with an average of 180 service agents. These centers are frequently integrated into networks of decentralized, multi-site facilities. This can be attributed to factors such as the relatively recent establishment of multilingual offerings and a delay in adopting certain technologies. Considering these observations, it is interesting to explore the European market from the perspective of a contact center agent in the following section.

The European market through the eyes of a contact center agent

The European market provides a large pool of qualified agents

Customer service has become a central part of any business nowadays, which means the number of support representatives is relatively high. Currently, 3.5 million service agents are employed in the European CRM and contact center market, with around 630,000 working in the outsourcing business.³⁵ Depending on the region and industry, the number of support agents in the European market can vary greatly. Germany, the United Kingdom, and France are currently the most strongly represented markets, although Eastern European countries are becoming increasingly important due to their comparatively low wages. Not to be neglected is the Irish market, which plays a major role due to its long contact center history since 1980.³⁶

The effectiveness of customer service hinges on the competence of contact center agents, making it crucial to establish a highly skilled talent pool that directly contributes to business success. According to a 2021 survey by Cisco, 70% of contact center executives recognize that inadequate communication leads to weakened customer relations between the contact center and its client. Furthermore, it has been determined that the experience of agents can significantly influence customer experience, with 74% of respondents acknowledging its potential impact on a company's annual results.³⁷

Looking at the level of education in Europe, it can be seen that it has experienced a significant upswing in recent years, with the average share of higher education standing at 41.2% in 2021.³⁸ To further raise the qualification standard in Europe, EU members have set themselves the goal of having at least 45% of 25–34-year-old graduates from tertiary education by 2030, which offers additional benefits to businesses. Another asset lies in the linguistic diversity prevalent in Europe, where a considerable majority of EU-28 citizens (approx. 66.7%) possess proficiency in at least one foreign language. Notably, the Scandinavian countries and the Baltic states stand out for their commendable performance.³⁹ Despite the strong multilingualism in Europe and the increasing tolerance for English-speaking customer support, it can still be crucial in countries like Germany or France to offer service in their native language. By offering these linguistic skills, contact center BPO providers not only increase their chances of being successful in these markets but also enable expansion into neighboring countries such as Switzerland, Austria, or Belgium.⁴⁰

³⁵ Frost & Sullivan, Everest Group, PwC

³⁶ CBI – Ministry of Foreign Affairs

³⁷ CBI - Ministry of Foreign Affairs, Cisco

³⁸ Eurostat

³⁹ Eurostat, PwC

⁴⁰ Eurostat

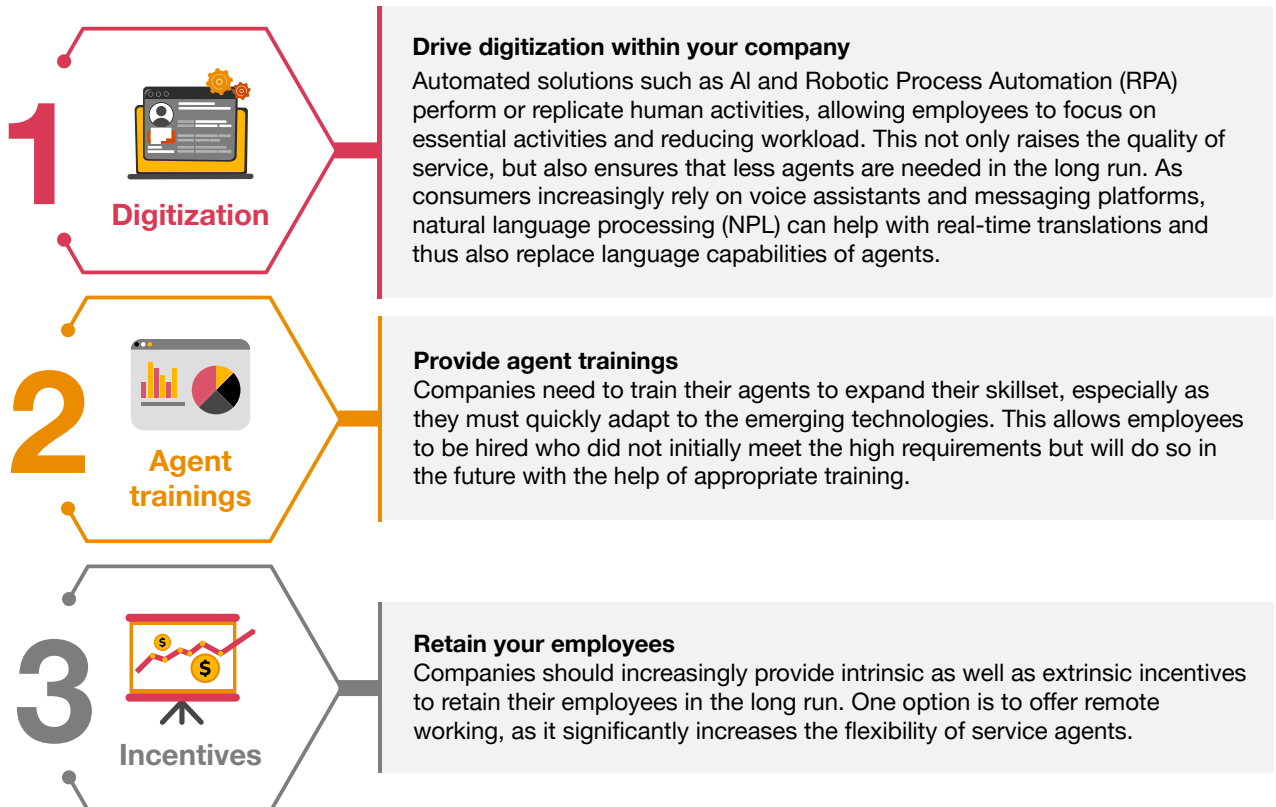
Despite a solid education level and multilingualism, a shortage of skilled agents can be observed in some European countries

Although Europe has strong agent capabilities, companies increasingly face challenges. This is because many countries are experiencing a shortage of skilled workers for various industries, including the service sector. While countries such as Germany, the Netherlands and Sweden are particularly affected, the situation in Romania, Turkey and Cyprus is less critical. This decline in qualified employees in some parts of Europe is mainly attributable to demographic change resulting from low birth rates. In addition, contact centers providers often experience high employee fluctuations and absenteeism due to the high demands on service agents, excessive workload, and often poor working conditions. As a result, previously hired and qualified employees may leave the company, thus further widening the talent gap.

To address the shortage of European agents, service providers should consider the following three options, according to PwC's recommendations.

Figure 15 PwC tips to address the European agent shortage (own illustration)

3 valuable PwC tips



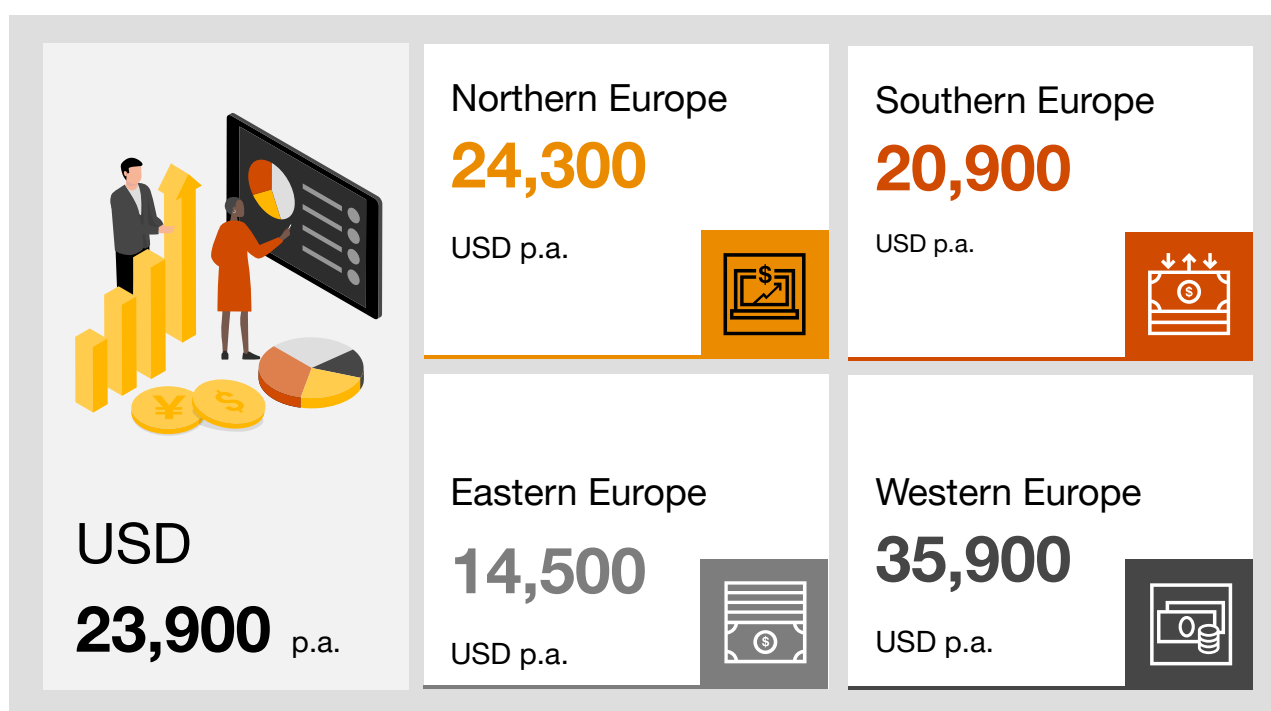
Rising wages are forcing providers to relocate their capacities

In addition to labor shortages, the CRM and contact center industry faces significant challenges regarding wages, as they can be an essential factor in steadily declining company profits. Also, in the European market, the issue is currently causing discussions, as remunerations are expected to continue to rise in the coming years. One of the most notable hikes in recent times was the minimum wage increase in Germany to €12.00 in October 2022, a 25% boost from December 2021 (€9.60).⁴¹ With the implemented wage increase, Germany has one of the highest minimum wages in the EU, alongside Luxembourg. Even in Eastern European countries, wage increases are now clearly visible. A remarkable example is the increase of the Polish minimum wage by about 14% from 2022 to 2023, which exceeds the average year-on-year growth in the EU of 11.9%.⁴²

While the rise in minimum wages also impacts agent salaries in the CRM and contact center industry, there are strong wage differences for customer service representatives across the European market, as illustrated in Figure 16. The average salary in Western Europe is by far the highest at around US\$35,900 per year. With an approximately 32% lower annual salary, Northern Europe follows with around US\$24,300 as well as Southern European countries with around US\$20,900. Finally, the lowest salary in Eastern Europe is paid to customer service representatives with around US\$14,500. Accordingly, remuneration in the eastern but also partly southern region is significantly lower than the European annual average for service representatives, which currently stands at US\$23,900.

Figure 16

Average annual salary of contact center agents in Europe (own illustration)⁴³



⁴¹ European Central Bank

⁴² Eurostat

⁴³ Glassdor, PwC

Due to high and constantly rising wages and the lack of skilled workers, companies are increasingly forced to relocate their contact centers to low-wage countries. Thereby, businesses can be either relocated to neighboring countries or outsourced to other continents. Among European countries, the United Kingdom is most receptive to offshoring, for several reasons. One important factor is that the country has always maintained close ties with many countries around the globe, which means that language barriers are usually much lower. On the other hand, the country is known for its cost-saving corporate culture, thus making it even more accessible for offshore transactions. In contrast, countries such as France, Germany or Spain are less willing to relocate their operations to other continents, as companies are often risk-averse and language proficiency still matters. Accordingly, nearshore options currently predominate in Europe, with the Eastern European countries being particularly relevant. While Poland was considered one of the most important destinations due to its highly qualified workforce and low prices, service providers started to target other European countries such as Kosovo, Georgia, or Northern Macedonia because of the rising wages.



Moreover, Bulgaria and Romania have become interesting markets, as companies benefit from the advantages of EU membership and the resulting simplified payment transactions and contract management. On page 49, the report considers the attractiveness of nearshore regions in Europe, using various factors such as skill levels and wage growth for the assessment.

As Europeans become more proficient in English (see page 43), offshoring to distant countries such as India or the Philippines may become increasingly attractive due to low labor costs and

English-speaking workers. Similarly, African or Latin American markets may be increasingly targeted by French or Spanish service providers, given the potential of the French or Spanish language and increasing cost savings.

Given these aspects, it becomes evident that rising wages contribute to the increasing financial pressure on companies, prompting them to rely on near- and offshoring. However, the availability of home office options also presents a cost-effective alternative that enables providers to maintain their competitive edge. The subsequent discussion delves into the current state of the evolving work landscape in Europe.

COVID-19 created a new era in the ways of working

Today, it is widely recognized that working from home increases employee productivity and motivation while reducing absenteeism and churn rates, making it a kind of “magic bullet” in the war for talent. Nevertheless, the acceptance of work-from-home models cannot always be assumed. In fact, prior to the COVID-19 crisis, the prevalence of home-based working models was relatively low in the European market. According to a study by Eurostat, the share of people who usually or sometimes worked from home amounted to almost 15% in 2019. However, progressiveness varied tremendously among countries.⁴⁴ The Netherlands, Finland, Luxembourg, and Sweden, for example, have been much more advanced and recorded higher prevalence rates of more than 30% compared to southeastern countries such as Bulgaria, Romania, and non-EU members like North Macedonia or Turkey (< 5.0%).⁴⁵

Since the COVID-19 outbreak, however, the way of working has changed significantly. Constant lockdowns in most parts of the world, including Europe, prompted employers to largely implement remote working options, as indicated by the key figures. According to the Eurostat statistics, the share of employees who usually or sometimes telework rose to around 21% across the EU by 2020.⁴⁶ Besides that, a study conducted by the Eurofound examined and compared specific periods, showing that in spring 2020 and 2021, on average, nearly 46% of EU employees worked at least partly from home.⁴⁷

In line with the general developments within the European market, CRM and contact center operators were also largely affected by the transformation of working models, as shown in Figure 17. While prior to the COVID-19 pandemic, only about 10% of contact center agents had initial experiences with teleworking, the number of employees working at least partly from home has increased to an estimated value of 50% during the COVID-19 crisis. In the post-COVID-19 phase, the proportion of employees working remotely remains higher than pre-pandemic levels. This estimated share, approximately 40%, is anticipated to persist in the years ahead, in part due to the increasing number of legal acts, particularly within the EU region. Consequently, the number of countries that have legally established the right to telework has doubled since the pandemic's

⁴⁴ Eurostat

⁴⁵ European Commission

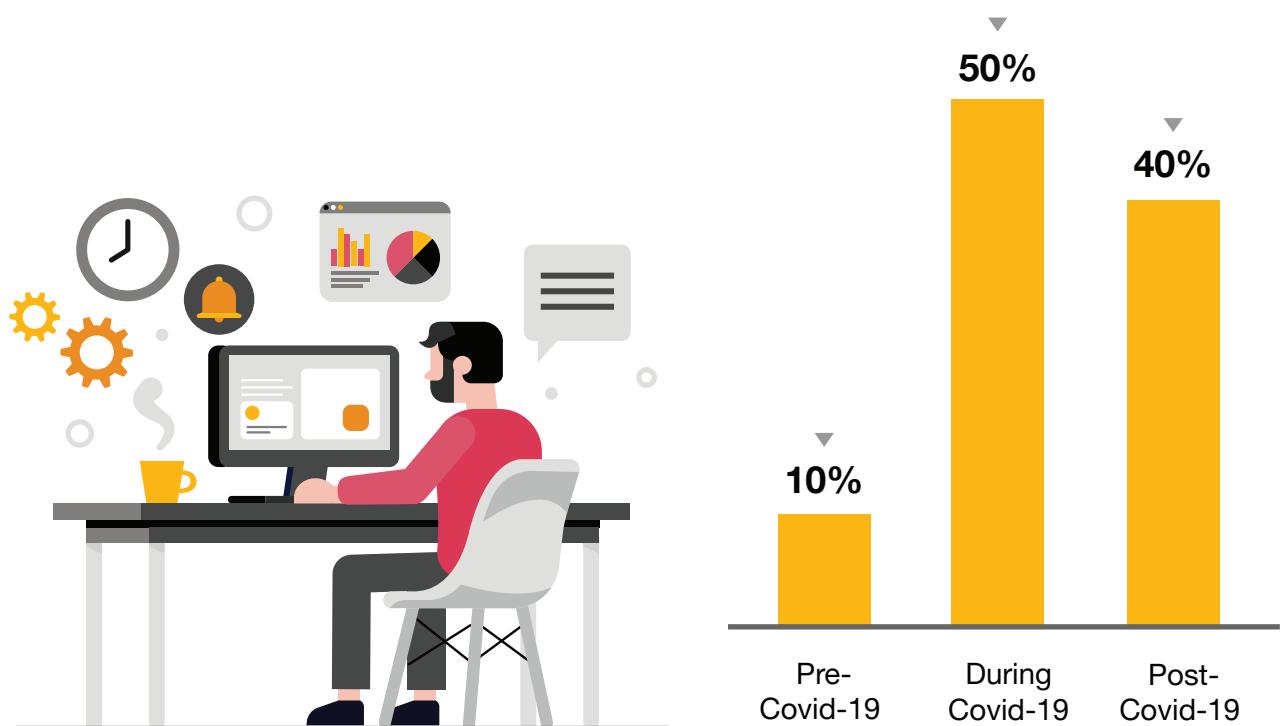
⁴⁶ Eurostat

⁴⁷ Eurofound

onset. In several countries, including France, Lithuania, Portugal and the Netherlands, employees with telework-enabled jobs now have the right to request to work remotely.

Given this transformation of the working environment, contact center providers increasingly need to adapt. Since agents can be deployed more flexibly and at shorter notice when working from home, it is advisable to optimize just-in-time planning and introduce state-of-the-art personnel systems. Besides that, service providers should adapt the company's onboarding processes to the new circumstances in order not to affect the working performance of agents in the future. Not least, data processing and storage standards must also be met by service providers in order not to get in trouble.

Figure 17 Working-from-home-model development in the European CRM and contact center market (own illustration)⁴⁸



⁴⁸ PwC, Eurostat

EXCURSUS: Evaluation of top nearshore locations in Europe

As previously mentioned, the challenges of escalating costs and a shortage of skilled labor are becoming more prevalent in the current European CRM and contact center industry. Consequently, many companies are embracing outsourcing to nearby countries, with Eastern European nations notably offering favorable conditions.

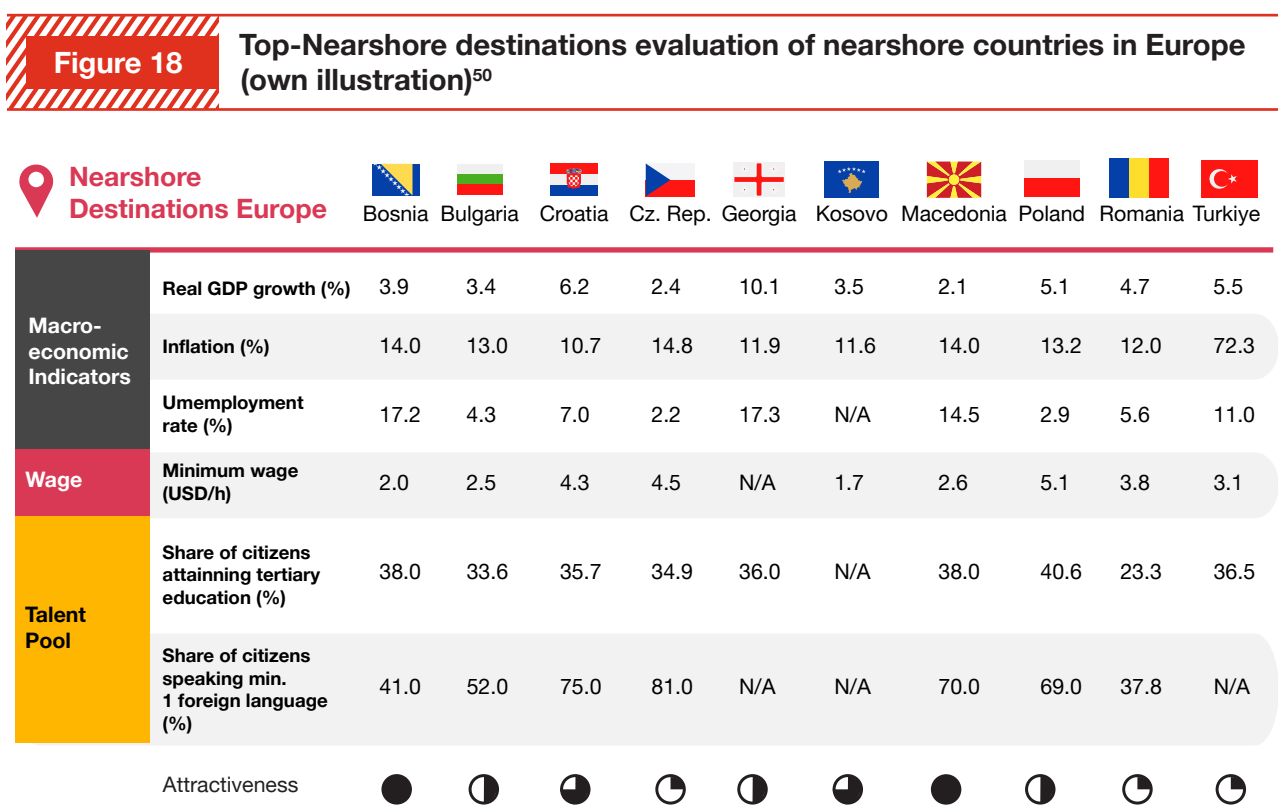
When considering the macroeconomic situation of ten selected nearshore countries (see Figure 18), it becomes evident that there is real GDP growth across the board. This reflects a favorable economic environment and indicates significant market potential. Among these countries, Georgia stands out with an impressive growth rate of 10.1%. However, there are inflation concerns, which has surged due to the pandemic, the ongoing Russia-Ukraine conflict, and the uncertain economic future in Europe. These factors have increased expenses for contact center BPOs, particularly in terms of salaries. As a result, some nearshore countries such as Turkey, the Czech Republic, and Bosnia, have seen a drop in their attractiveness, while Croatia, with its relatively low inflation rate, has become a more appealing option.

One of the advantages of nearshore countries is their higher unemployment rates, which means a larger pool of potential workers is available for contact center BPOs. This helps alleviate the issue of agent shortages in Europe. Bosnia, for instance, offers significant potential in this regard, with an unemployment rate of 17.2%. On the other hand, the Czech Republic and Poland present less favorable conditions, with unemployment rates ranging between 2% and 3%. Nearshore regions also benefit from lower wages for intermediaries compared to other parts of Europe, with wages often based on the minimum wage. Kosovo and Bosnia, for instance, have low minimum wages of US\$1.70/hour and US\$2/hour. In contrast, the minimum wage in the Czech Republic is more than twice as high, resulting in higher costs for BPOs. Although the minimum wages in nearshore regions have been increasing in recent years and will continue to do so in the future, they remain lower than those in many Western, Central, and Northern European countries.

Furthermore, nearshore countries boast a generally high level of qualification among their populations, which is advantageous for contact center BPOs due to the growing skills requirements for agents. It is important to note that the availability of agents is not only due to the relatively high unemployment rates but also the level of education. Poland, for example, stands out, with 40.6% of its citizens holding a university degree, providing a higher likelihood of hiring qualified employees. Bosnia and North Macedonia also possess well-educated populations, with a share of 38% each, making them promising nearshoring options.

In addition to qualifications, providing multilingual support is becoming increasingly important for contact center BPOs that want to expand globally and meet customer expectations. The Czech Republic and Croatia have among the most multilingual populations in Europe, with at least 75% of citizens speaking one or more foreign languages. In comparison, countries like Romania, Bosnia and Herzegovina, and Bulgaria have lower levels of multilingualism.

Looking at the comprehensive ranking in Figure 18, it becomes clear that Northern Macedonia and Bosnia stand out as desirable destinations due to their favorable conditions, which include low wages and high levels of education. Similarly, countries such as Croatia and Georgia offer notable advantages, despite minor disadvantages. While Croatia shines with its low wage levels and impressive skill sets, Kosovo excels in terms of an abundant workforce and attractive wages. Poland remains a reliable nearshore option, although relatively higher wage levels influence its ranking. Conversely, Bulgaria scores with low wages, but receives a lower ranking due to inflation and multilingualism.⁴⁹



In addition to considering nearshoring as a solution to offset escalating costs, companies should also focus on increasing their investment in digital transformation. Therefore, in the next chapter, we will explore the transformative potential of digitalization in customer service and how it can improve operational efficiency, increase competitiveness, and create new business opportunities for companies.

⁴⁹ It must be emphasized that the provided ranking only reflects a partial set of factors. For a more precise evaluation, additional industry-specific variables must be taken into consideration. As a result, the overview provides a rather general estimate.

⁵⁰ Statista, Eurostat, Destatis, regional statistical offices, IMF, WSI, PwC

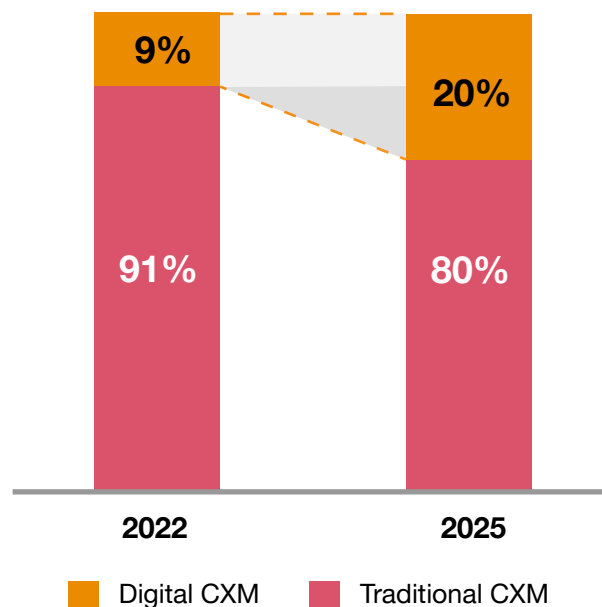
Technologies and the shift to CRM 2.0

Digital transformation is advancing worldwide and has accelerated in the wake of the COVID-19 pandemic. This also applies to many countries in the European market. Although digitization is lagging in a cross-continental comparison, it has become increasingly important in the last few years. This is evident in the Digital Economy and Society Index (DESI), which records and summarizes the relevant indicators for the digital performance of the EU. While the index stood at 35.9% in 2018, it was 52.3% in 2022, reflecting the exponential growth, especially since the pandemic.⁵¹ As a result, companies should further extend their use of cutting-edge, transformative technologies such as AI and Big Data to maintain their competitiveness on a global scale.

This market trend toward digitization can also be applied to the customer service field. It is reflected in the shift from agent-based services (“1.0 Services”) to more digitized solutions (“2.0 Services”), providing new challenges for companies. Surprisingly, the current share of around 9% (see Figure 19) does not correspond to companies’ already existing technological services. This is due to the high demand for short-term agent-based services during the COVID-19 pandemic, along with the insufficient “digital readiness” among service providers, who need to develop digital solutions competencies.

Figure 19

Development of traditional and digital CXM (own illustration)⁵²

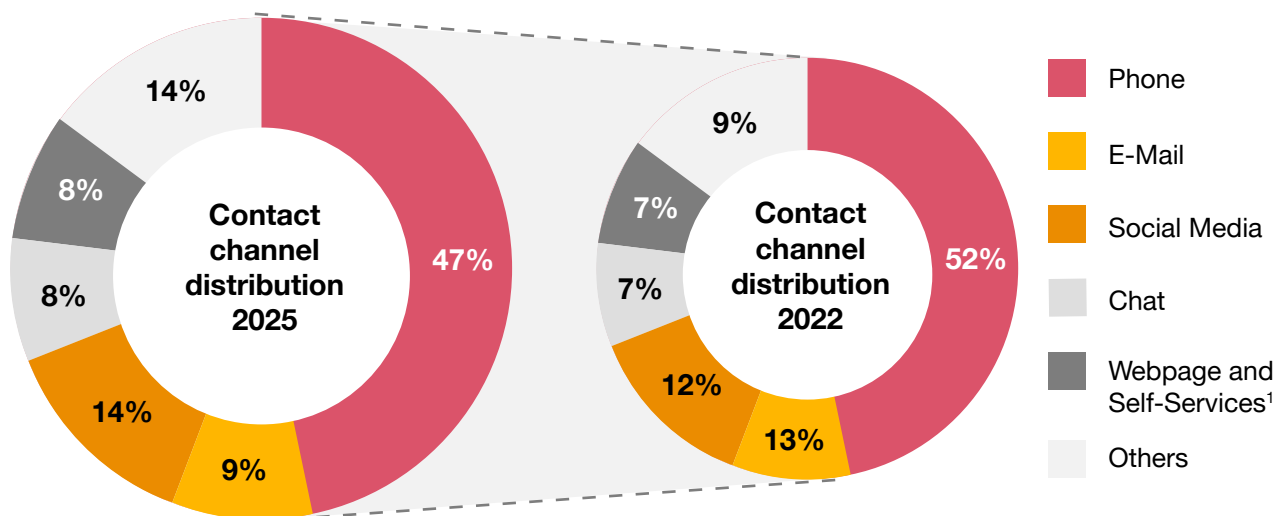


⁵¹ Eurostat

⁵² Everest Group, PwC

The comparatively limited digitization is also reflected in the distribution of contact channels, where the telephone remains the most predominant contact channel in the European market, constituting a 52.0% share. This trend is expected to persist in the near future, providing real-time service to customers (see Figure 20). In addition, email communication appears to be a popular touchpoint for handling customer concerns and currently accounts for a 13% share. The variety of communication channels with outsourced contact centers is expected to expand, moving towards digital contact channels such as chat, social media, web, and self-services. This trend is already noticeable in Nordic countries such as Finland, Sweden, and Denmark, where social networks are gaining prominence as preferred communication channels, driving up the overall share for Europe. The diversity of touchpoints is also particularly evident in the Netherlands, with a multitude of non-telephonic channels in use in contact centers. In such a multi-channel environment, European companies are increasingly adopting omnichannel solutions that seamlessly integrate different communication channels, enabling smooth transitions without losing information.

Figure 20 Contact channel distribution in European contact centers (own illustration)⁵³



¹ Includes RPA, chatbots, and other automated solutions

Considering these factors and the substantial influence of Generative AI, the shift towards digital services is evident and expected to continue growing in the future. Consequently, it is recommended that service providers invest in emerging technologies such as AI, chatbots, self-service tools, and the metaverse to enhance their appeal to customers. An effective strategy may involve forming partnerships or engaging in mergers with technology-focused companies. This approach empowers contact center BPO providers to establish themselves as enduring “tech players”.

⁵³ Everest Group, Statista, PwC



Given the current trajectory, it is reasonable to assume that by 2025, a significant percentage, potentially around 20%, of outsourced contact centers will offer digitized solutions (see Figure 19). Despite these growth expectations, it's crucial to acknowledge that growth may be limited by the shortage of personnel skilled in digital competencies and companies' readiness for digital transformation, which may potentially impede the wider adoption of digital 2.0 services.

This shift towards emerging technologies like AI is also addressed by CEO and CO-Founder of Parloa, a leading German SaaS platform provider for Conversational AI.

Guest post: Parloa GmbH



Name: **Malte Kosub**

Position: **Co-founder and CEO of Parloa**

Company: **Parloa GmbH**

Agent & AI: Teamwork in the contact center of the future

Global customer service is undergoing a profound transformation driven by technologies in the field of Artificial Intelligence (AI) and advanced AI models like GPT from OpenAI. These innovations have a significant impact on how companies interact with their customers.

At the heart of this change is the collaboration between human agents and AI. Over the next five years, this collaboration will become an essential factor at all three levels of customer support, from initial contact, through the actual customer conversation, to post-interaction follow-up. This evolution promises not only increased efficiency in customer service, but also a significant improvement in the customer and agent experience.

AI evolution in customer service

For over a decade, customers have been encouraged not to call customer service anymore. Instead, they should rely on written, less natural communication through chat or email.

Some companies still cling to traditional Interactive Voice Response (IVR) systems as an entry point into customer communication, often at the expense of the service experience. Despite technological advancements, customers often have to wait a long time for available agents and spend unnecessary time in queues before receiving assistance with routine inquiries. On the agent side, there is a significant manual effort during the ongoing service conversation and subsequent post-processing.

However, the future promises a fundamental shift, driven by the language capabilities of AI solutions that are already providing valuable support, especially at the first two support levels. AI solutions handle repetitive and predictable tasks such as data entry, security checks, and access standard information like FAQs. Integrating AI into customer service saves time for contact center staff worldwide, makes companies more efficient, enables agents to focus on more complex tasks and helps agents build stronger customer relationships.

Synergy of humans and AI

Over the next five years, this development will accelerate further. Customer service will undergo significant changes, and Artificial Intelligence will play a key role, from addressing specific inquiries to comprehensive interactions and end-to-end solutions.

AI will unlock a new dimension of service by serving as a powerful partner for human agents. This includes real-time translations during conversations, continuous support for customer interactions and work processes through response suggestions, information provision, and best practices for agents.

This transformation will be particularly evident in the first two levels of customer service, where AI is expected to take on a significant portion of tasks before and during conversations — estimates range from 80% to 90%.

Direct human communication will remain crucial for complex inquiries and building customer relationships, but modern AI solutions will elevate customer service to a new level of excellence. These solutions will seamlessly integrate into the workflow of agents, enhancing their efficiency and contributing to employee satisfaction.

Adoption of AI models in the corporate context

Large Language Models possess impressive language understanding that surpasses previous models. However, they remain generic and lack company-specific knowledge. They do not have specific process or system knowledge or an understanding of the company's communication guidelines. The effective deployment of AI in enterprises requires targeted training and technological adaptation.

Employees also play a role by sharing their extensive knowledge and experience with AI, such as providing conversation data. This allows AI to acquire company-specific knowledge to effectively support agents and contribute to an optimal customer experience.

Conclusion

The collaboration between humans and AI will become the norm in every phase of customer interaction over the next five years. The shift towards greater AI integration promises increased efficiency, while the collaboration between agent and AI establishes a new level of service quality.

The CRM and contact center outsourcing market from the real-world perspective

With the theoretical groundwork firmly established, it is crucial to pivot towards practical insights to attain a comprehensive grasp of the European CRM and contact center outsourcing market. Hence, this section takes a significant turn by presenting two exclusive guest articles contributed by experts hailing from Otto GmbH & Co KG, a prominent German e-commerce entity, and Teleperformance, a leading global BPO firm. These insightful contributions offer firsthand experiences and pragmatic viewpoints illuminating the nuances of contact center outsourcing within the European landscape.



Guest post: OTTO



Name: **Britta Bahlmann**

Position: **Vice President Customer Centricity & Service Management**

Company: **Otto GmbH & Co KG, a leading German e-commerce company**

The transformation from OTTO requires a more efficient and flexible customer service organization

OTTO is currently restructuring and transforming itself from an online retailer to a marketplace model with its retail operations. This transition is associated with high growth expectations and requires a comprehensive overhaul of core processes and cultural norms to ensure successful scaling and long-term profitability. Therefore, the company is focusing on strategic levers, including increased process standardization, automation, and attentive cost control, throughout the organization and the customer service units. These individual initiatives, targeted at improving efficiency, can be categorized into two major elements:

1 Enhancing customer experience along the entire customer journey

The first component focuses on achieving a seamless and effortless customer experience across various touchpoints by effectively integrating and harmonizing operational excellence, customer communications, and robust self-service capabilities along the entire customer journey. This comprehensive approach minimizes the order-to-inquiry ratio by empowering customers to optimize their interactions and reduce their reliance on direct customer service requests. Nevertheless, it remains important to recognize that certain complex situations may arise that require the presence of empathetic employees for face-to-face interactions. These agents are central in providing personal support and guidance that enables customers to navigate complex scenarios successfully.

2 Improving flexibility in OTTO's customer service organization

The second focus is on increasing efficiency and flexibility in the customer service organization. To achieve this, OTTO is expanding its service capacities through a strategic partnership with a leading contact center service provider to increase efficiency. As part of its collaboration, crucial elements such as customer satisfaction, response times and cost efficiency are being evaluated and optimized. This gained flexibility is particularly valuable during periods of high demand, such as Black Friday and Christmas, when resource allocation can be difficult. Accordingly, the strategic expansion of capacities emerges as a valuable tool to meet customer needs and adapt to market dynamics.

Future focus will shift to harness the power of automation and Artificial Intelligence

Besides the mentioned aspects, leveraging future technologies such as Artificial Intelligence is crucial to unlock the potential for successful business development. From OTTO's perspective, it is essential for their partners to support them in their business optimization, proactively anticipating customer needs and offer innovative solutions to support agents to increase customer satisfaction.

Furthermore, end-to-end digitization is a complex undertaking that requires significant investment throughout the customer journey and recognition of the potential of automation in customer service. Successful conversion depends on top management commitment and overcoming the challenges of legacy systems and long-term projects that often span over the course of a decade or more.

Guest post: Teleperformance



Name: **Klaus-Peter Bergmann**

Position: **CEO Germany Teleperformance**

Company: **Teleperformance, world market leader in digital Business Process Outsourcing**

The importance of business process outsourcing is steadily growing in Europe

In the European market, more and more companies are considering the outsourcing of CX management. This is a consequence of rising production costs, the intense competitive environment as well as the ongoing digital transformation, which pose major challenges for many enterprises. As a result, the benefits of working with proficient CX companies are becoming increasingly apparent. These service providers offer their clients the possibility to reduce the total costs compared to in-house centers, to increase flexibility – especially when it comes to recruiting personnel – and to benefit from the transformative capabilities that have been built over many years in CX management.

In this context, an increasing acceptance of near- and offshoring across a wide range of industries can also be experienced, which is certainly also a result of the ongoing shortage of skilled workers and rising personnel costs. This reinforces the need for CX providers to offer an attractive site network in nearshore.

Home office remains relevant in Europe's contact centers - hybrid working gains importance

After the pandemic, working from home is here to stay – also in CX management. This is, on one hand, driven by the changed expectations of employees. On the other hand, it enables companies to widen the applicant pool, providing career opportunities for talent living in remote regions.

Despite its significant benefits, working from home also comes with drawbacks. For instance, collective intelligence tends to unfold better in physical presence, and the impact of face-to-face training is often more enduring. Additionally, working on-site promotes loyalty to the team as well as the firm. As a result, it can be expected that there will be two groups of team members: Those working fully on site and those who will continue working from home – whether in a hybrid model or to 100% will depend on the characteristics of the specific project and its challenges.

The digital transformation continues to progress in CX Management

In addition to the mentioned aspects, digital transformation remains a key topic for the industry. Especially the utilization of Artificial Intelligence has taken on a significant role in recent years

and is expected to exert an even greater influence on customer care in the future. For example, Conversational AI, encompassing voice and chatbots, is now highly optimized for deployment in CX management and serves numerous use cases effectively.

Moreover, Generative AI has received considerable attention, especially since the launch of ChatGPT in December 2022, and fascinates with its potential. At the same time, it has also raised concerns about safety and responsible use. Considering the characteristics of our industry, four conclusions emerge:

- (1) If used correctly, Generative AI offers many interesting possibilities for optimizing efficiency and customer experience in CX management.
- (2) Human skills remain crucial – whether acting as a partner in customer contact or as a trainer in the background.
- (3) In the future, new service potentials will emerge that will positively impact business models.
- (4) This technology will further drive digital transformation and continue to change how CX management is done. However, perpetual change has become an integral part of CX management.

Three key components for an optimized customer experience

Today, first-class customer care integrates human talent, optimized processes, and innovative technology to create customer experiences characterized by minimal effort and high satisfaction. Companies aiming to delight their customers long-term must consider and optimize these three aspects holistically. Hence, recruiting, training, retaining, and developing the “right” team members play a critical role in achieving success. In this context, it is crucial to consider the employee experience to be a great home for talent, as only happy teams make happy customers. Moreover, companies need to continuously optimize processes and harness technologies to complement human capabilities, improve efficiencies, and automate tasks. Since this is undoubtedly a challenging undertaking, seeking support from a consulting partner or leveraging the transformative power of experienced CX companies can be highly beneficial.


Evaluation of the European CRM and contact center outsourcing market

Having taken a closer look at the key characteristics of the European CRM and contact center outsourcing market, the gained insights will now be contextualized and summarized. Using a SWOT analysis, it is possible to relate the key aspects from the previous chapters to the market and thus identify the market's strengths, weaknesses, opportunities, and threats (see Figure 21). This analysis provides an in-depth understanding of the status of the European market and allows an assessment of the market's potential for growth and development. By considering several factors that may impact the market, we gain valuable insights into how providers can effectively position a contact center in this dynamic and constantly evolving industry.

Figure 21

SWOT analysis of Europe from a contact center perspective (own illustration)





Europe's advanced economic situation enables companies to leverage the resulting infrastructure for further expansion and attracts large players in the industry who offer continuity and security within their services, meeting the increasing demand for customer service solutions. Furthermore, the extensive adoption of teleworking as a response to the COVID-19 pandemic has notably enhanced conditions for contact center agents. This may result in lower attrition rates through enhanced employee retention, while simultaneously facilitating the acquisition of skilled personnel. All these factors contribute to the high level of qualification and excellent customer service quality that characterizes the CRM and contact center outsourcing industry in Europe.

In addition to these strengths, Europe holds some attractive opportunities for the future. Although Europe's level of digitization is moderate compared to other regions, significant progress has been made in recent years, as demonstrated by the exponential growth of the DESI index. This path of innovation and digitization presents a valuable opportunity for European companies to build crucial competitive advantages that can further boost growth. The comparatively low level of digitalization offers room for pioneers to make their portfolios more digital and thus differentiate themselves, which is often done by conducting technology-focused M&A transactions. Furthermore, the availability of highly skilled multilingual agents, coupled with the increasing acceptance of the English language, has opened new possibilities for off- and nearshoring. As a result, providers can take advantage of lower wages in other regions while maintaining high-quality service through a diverse and talented workforce. The increasing tolerance of providers towards near- and offshoring has driven the trend and has resulted in significant cost savings. Consequently, growing numbers of companies are taking advantage of these opportunities, making the European market even more competitive in the global CRM and contact center outsourcing industry.

However, it is important to also consider weaknesses and threats. Although home-based working models benefit contact center BPO providers, they are associated with risks such as data breaches. Additionally, the large number of established players in the market hampers market entry for new companies. Small or unknown enterprises may face challenges in attracting customers, as they have a lower level of trust and must demonstrate security to avert a threat. As a result, they need to partner with top players in the market to expand their capacity and capabilities and strengthen their position in the market.

The ongoing Russia-Ukraine crisis is a significant risk leading to an uncertain economic situation and future for the CRM and contact center outsourcing industry. In addition to rising prices and the associated higher costs, e.g., due to rising wages, companies must reckon with increasing planning uncertainties, which presents service providers with major challenges. Moreover, the existing shortage of skilled workers and relatively high employee fluctuation compared to other industries could impact agent recruiting and pose the risk of service quality deterioration. Finally, with the increasing focus on digital solutions, the risk of being replaced by new technologies

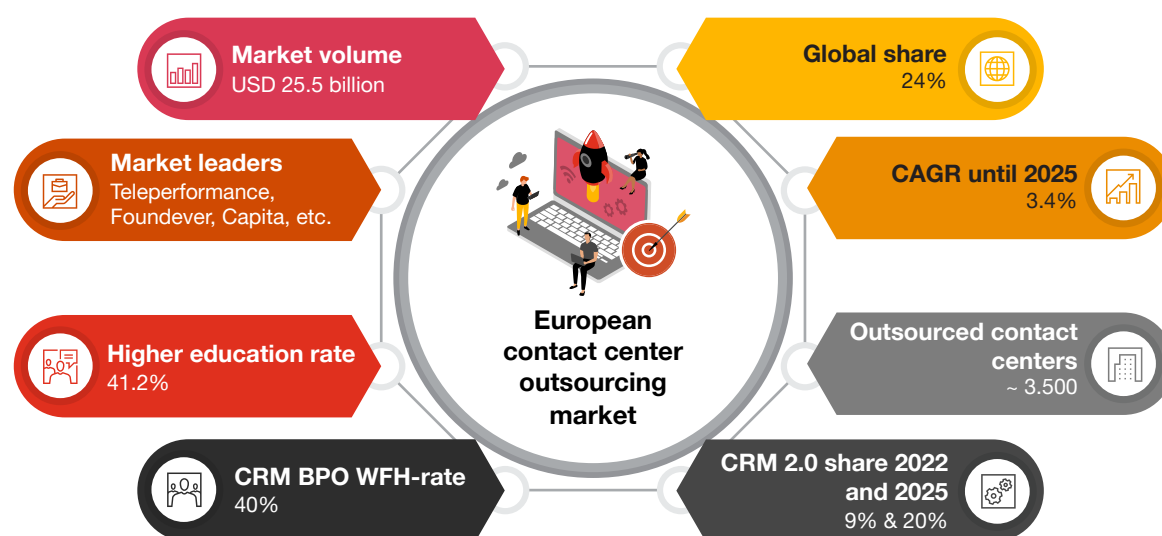
may increase as companies rely on AI technologies to replace humans. In parallel, the increasing focus on digital and technical solutions drives demand for data center and telecommunications equipment in the CRM and contact center industry. However, as the negotiating power of suppliers of these products is currently moderate to high, there is a risk of rising costs and dependencies.

Conclusion

With a robust market value of approximately US\$25.5bn and around 3,500 contact centers, the European CRM and contact center outsourcing sector is emerging as a formidable force. This strength is further underlined by a substantial share of 24%, positioning it as the second largest player in the global CRM outsourcing market. Peering into the future, the market shows potential, set to sustain its growth with a steady compound annual growth rate of 3.4% until 2025. With the accelerating pace of digitization, tech giants are forging strategic alliances to strengthen their positions against emerging competition, providing an added impetus to the market's growth. This collaboration delivers an extra boost to the market.

In Europe, quality of service prevails, driven by a pool of skilled multilingual employees. However, the challenge of talent shortages, especially in countries like Germany, is forcing providers to improve agent support. To remain sustainably competitive, companies should consider agent needs and possible relocation to low-wage countries to counter rising labor costs as the global crisis continues.

Figure 22 European CRM and contact center outsourcing market key facts (own illustration)





4.3

Deep dive

Australia

Authors

Brett Fairbank, Muneem Taher



4.3 Deep dive: Australia

Australia's CRM and contact center outsourcing market is a thriving industry that enables customer experiences and optimizes costs for organizations. The shift towards re- and nearshoring practices in response to the COVID-19 pandemic reflects organizations' emphasis on maintaining operational continuity and resilience to meet customer preferences for local agents. The ability of Australian organizations to effectively address evolving demands while ensuring high service quality and operational efficiency makes the Australian market an intriguing and dynamic landscape to consider for outsourcing opportunities.

The Australian CRM and contact center market in numbers

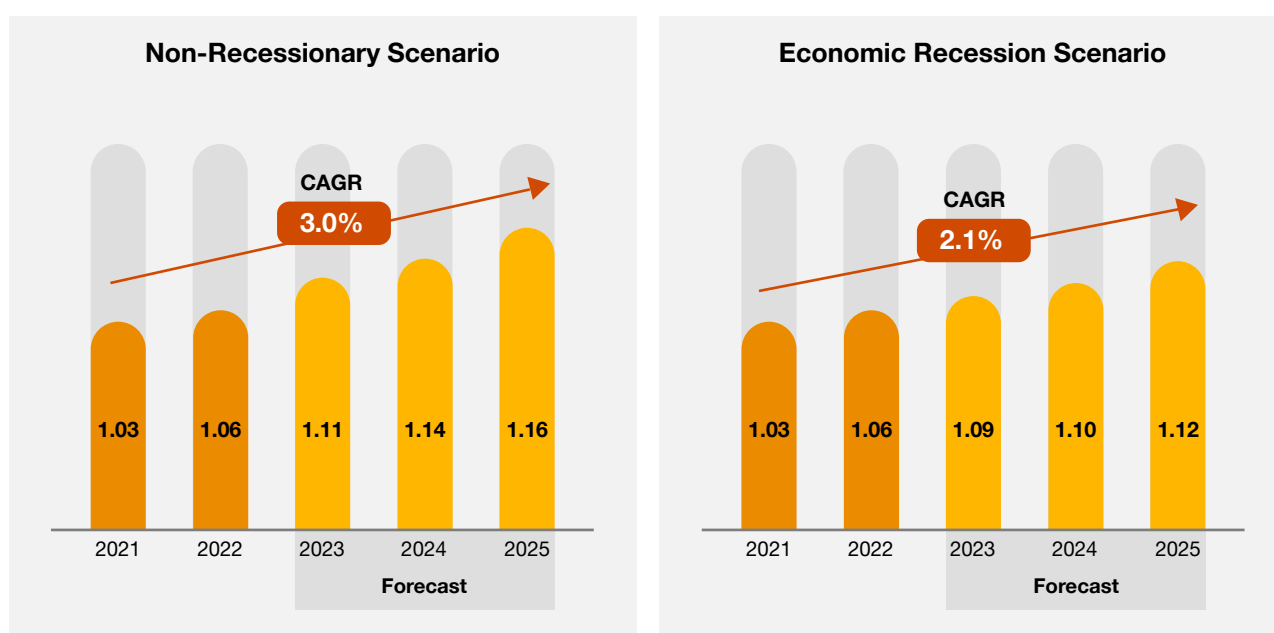
The Australian CRM and contact center outsourcing market is a mature industry with a value of US\$1.06bn, accounting for approximately 30% of the total Australian BPO market. In this context, Australian companies face the challenge of maintaining an exceptional customer experience with onshore agents while optimizing costs through strategically relocating agent sites.



Following the COVID-19 pandemic, the market has witnessed a rise in reshoring and nearshoring, with New Zealand being a prominent choice for contact centers, especially for voice interactions. This shift is motivated by organizations aiming to enhance the continuity and resilience of their contact center operations in response to customers' strong preference for engaging with local agents. To meet these demands, many Australian organizations leverage contact center BPO providers that can rapidly scale operations with agents onshore and nearshore.

Figure 23 Predicted CRM and contact center outsourcing market revenue growth in two economic scenarios in Australia (own illustration)⁵⁴

Australian contact center outsourcing market by revenue - 2021 to 2025 (USD bn)



As shown in Figure 23, the Australian CRM and contact center outsourcing industry also shows thriving growth potential, with a projected CAGR of 2.1% to 3% over the next three years, depending on the resiliency of the Australian economy against a recession. Higher inflation has prompted Australian companies to focus on optimizing their cost base, potentially strengthening the conditions for continued growth in the CRM and contact center outsourcing market as companies seek efficiencies through scale. This scaling effect is especially driven by the continued population growth resulting from migration, generating a higher demand for services in major downstream industries such as Banking & Financial Services, Utilities, Insurance, Healthcare, Retail, Telecommunications, Technology and Government. Another factor that pushes the need to enhance scaling abilities is the increase in contact volume through more people reaching out to contact centers for assistance and information due to the rise of climate-related events like storms, floods, and bushfires. Situations like these lead to more complex and specialized requests that often require the expertise of local agents at a higher cost, thus further driving the growth of the Australian market.

⁵⁴ IBISWorld, RBA, PwC

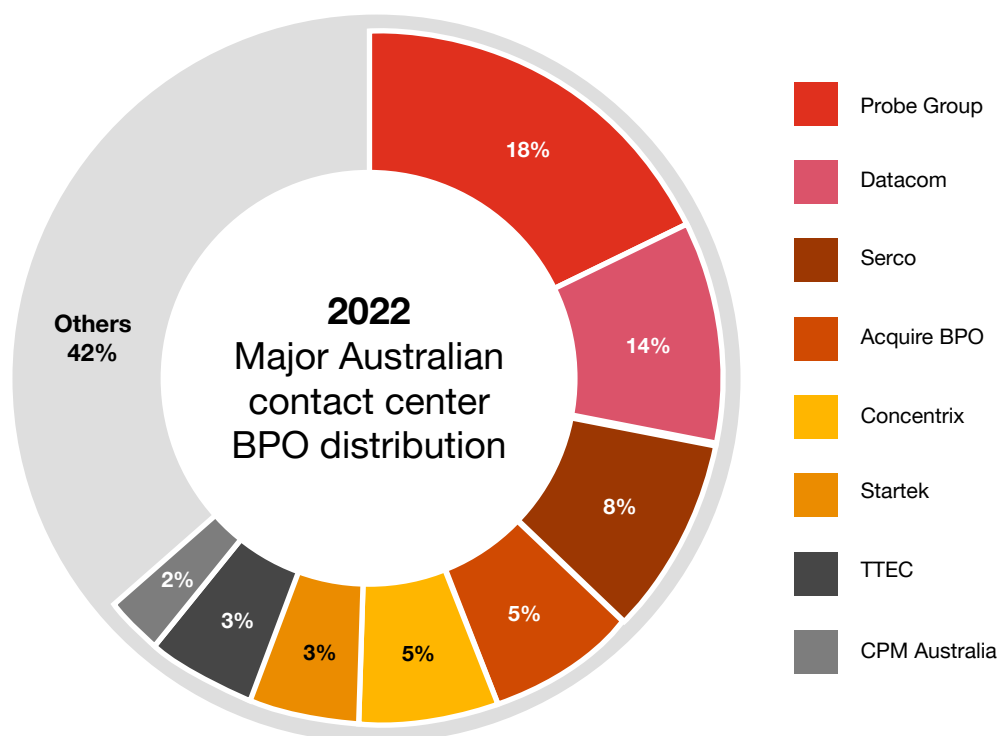
Looking ahead, market expansion depends on the choices made across both public and private sectors. Private sector organizations will have to make a trade-off between prioritizing customer experience by employing onshore agents, either in-house or through outsourcing, versus delivering lower-cost services through offshore labor markets that are typically outsourced. In the public sector, state and federal governments in Australia leverage BPO contact center providers today to manage interactions with citizens. The Australian federal government has committed to reducing reliance on outsourced labor providers (typically onshore outsourced providers) and strengthening public service. The extent of the (negative) impact on BPO markets depends on the government’s ability to promptly meet its obligations, as well as factors such as population growth, natural disasters, changes in the political landscape, etc.

While inflationary pressure is expected to be short-term, outsourcing decisions are medium to longer-term commitments and, therefore, are unlikely to be significantly impacted by 2025. However, a recessionary economy may slow down the industry growth.

The Australian market from a contact center BPO perspective

As the Australian CRM and contact center outsourcing market grows, competition and market share concentration are intensifying. The leading providers will expand their operations and improve their services to capture a larger share of the growing market. The current strong competitive landscape reflects this, with the top five providers already capturing 50% of industry revenue in 2022, as illustrated in Figure 24.

Figure 24 Market share distribution of top Australian contact center BPO providers (own illustration)⁵⁵



⁵⁵ IBISWorld

Probe Group dominates the Australian market with the largest market share of 18%, achieved through a series of acquisitions.⁵⁶ Its services are catered to various government departments and private sector organizations. Notably, Probe has achieved significant contract wins during COVID-19 by demonstrating its ability to rapidly scale onshore, nearshore (in New Zealand), and offshore (in the Philippines) services.

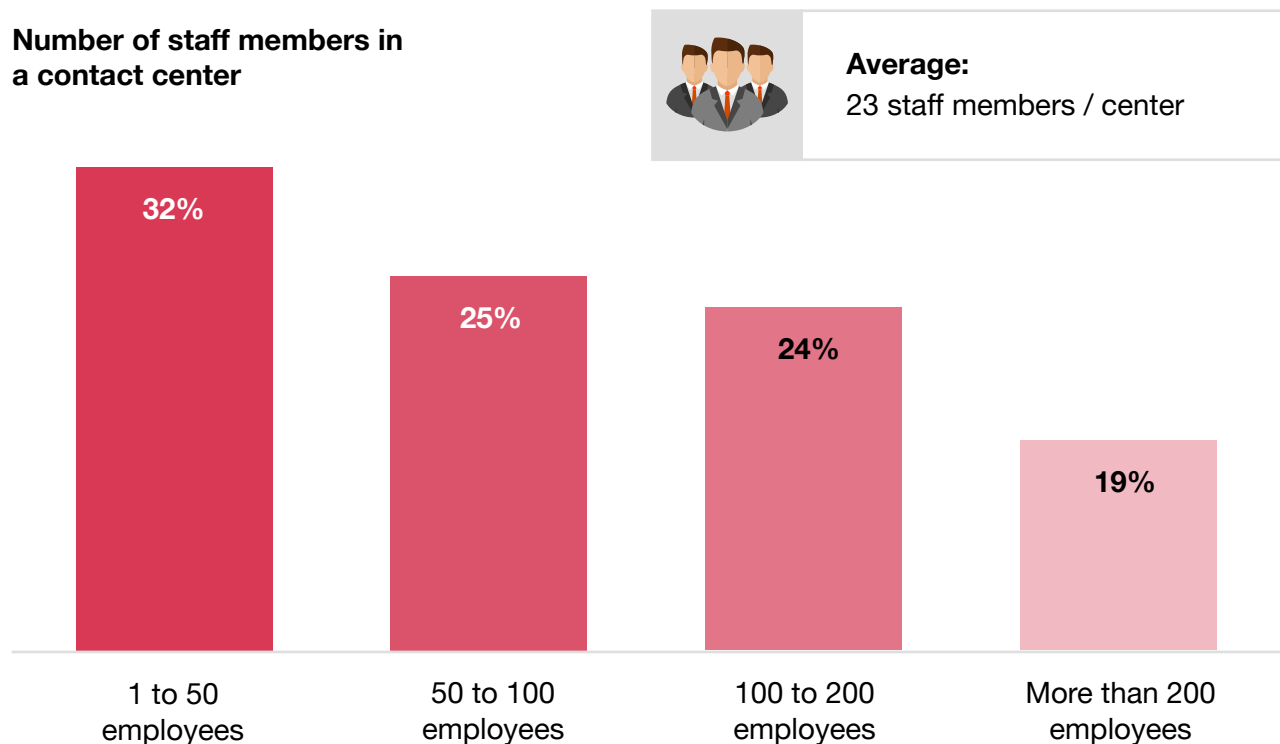
Datacom and Serco are two other notable players in the industry, each holding more than 5% market share. Given the fragmented nature of the contact center BPO industry and the emphasis on scale, it is anticipated that merger and acquisition activities between providers will continue to shape the market's landscape.

The contact center landscape in Australia consists of many micro-contact centers

In addition to analyzing the industry pattern on the provider side, it is also of interest to take a closer look at the operational structure at the contact center level.

According to a 2023 survey conducted by SMAART Recruitment Group, almost a third of the contact centers in Australia have fewer than 50 employees (see Figure 25). Half the contact centers employ 50 to 200 staff members with an almost uniform distribution across the number of centers with 50 to 100 and 100 to 200 workers. Only 19% of the contact center leaders reported having more than 200 employees. Overall, a contact center in Australia has, on average, 23 staff members.⁵⁷

Figure 25 Distribution of contact center sizes according to staff member count in Australia (own illustration)



⁵⁶ Salmat, Stellar

⁵⁷ SMAART

These findings, in conjunction with the classification mentioned above, highlight the prevalence of numerous micro-contact centers with up to 10 employees in Australia. This trend is attributable to various factors, including the relatively high costs associated with maintaining onshore contact centers, technological advancements such as virtual assistants (VAs) and chatbots, and consumers' growing embrace of self-service options. Consequently, there is a greater demand for smaller contact centers.

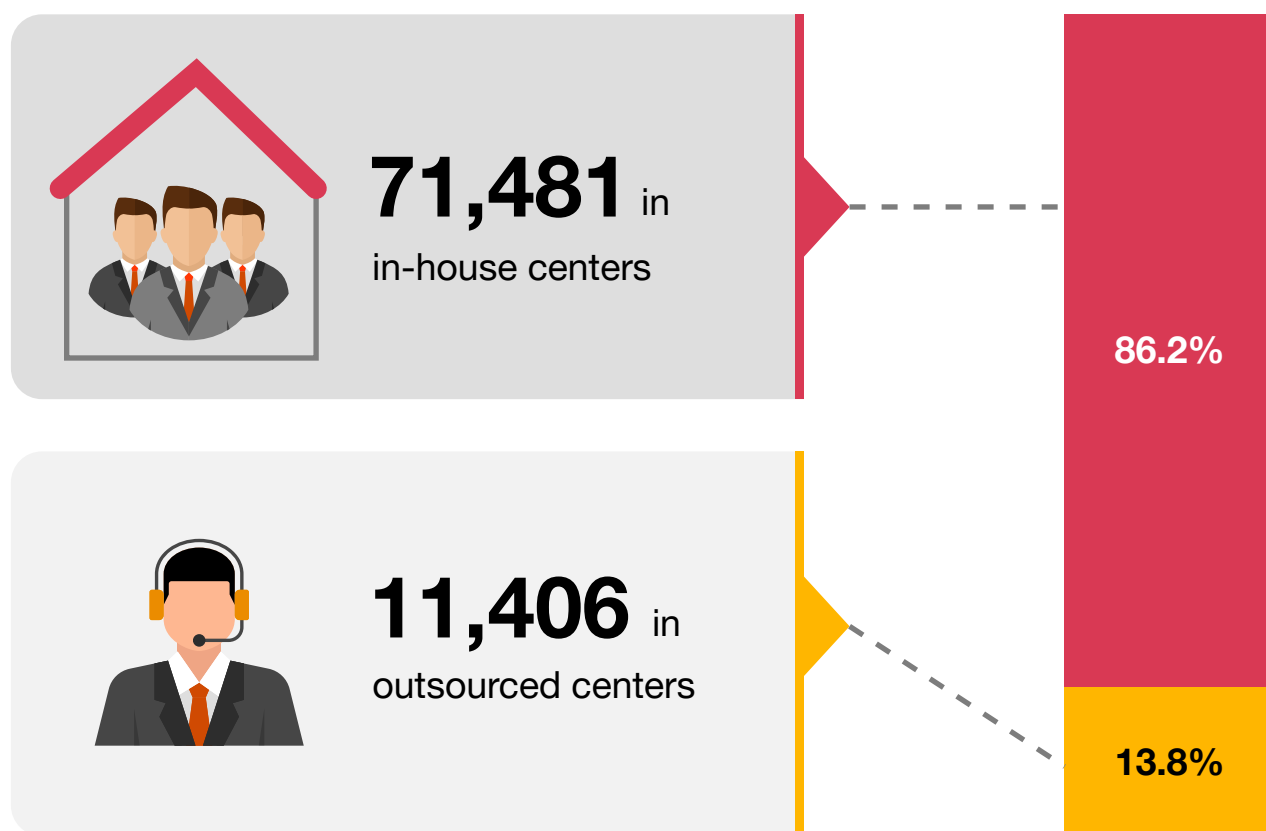
The Australian market through the eyes of a contact center agent

As the Australian contact center outsourcing market experiences steady growth, it's essential to consider the employment status of contact center agents as a pivotal factor in shaping the future of the market. The Australian Bureau of Statistics' Labour Force Survey (Feb 2023) indicates that about 82,887 people are employed as contact center agents in Australia. According to IBISWorld, 11,400 people (13.8%) work in a BPO contact center, which grew by 4% from the prior year.


Figure 26

Number and distribution of in-house and outsourced contact center agents in Australia (own illustration)⁵⁸

Number of people employed as a contact center agent



⁵⁸ ABS Census, IBISWorld



The low qualification requirements in the industry support the increase in the number of contact center agents in Australia. Contact centers offer a value proposition that includes training for new recruits during induction. Notably, 35% of contact center staff possess high school level or below, while 27% hold a bachelor's degree or higher.

The advantage of lower entry requirements is that it enables Australian contact centers to recruit and scale their operations swiftly, ensuring a steady supply of agents to meet the growing demand for their services. However, labor shortages have been prevalent across various industries in Australia, including the contact center sector since the pandemic disrupted the job market. These shortages have posed challenges in attracting and retaining contact center agents, as they face pressure from better-paid job opportunities in other fields. Contact center agent roles offer low to medium income. On average, an agent (in-house or BPO) earns US\$20.4 (AU\$30.6) per hour or US\$42,476⁵⁹ per year as a base salary.⁶⁰ In addition to that, agents can also receive superannuation, which currently amounts to 11% (increasing to 12% by 2025) of base pay before tax, provided they are eligible, equating to an average bonus of US\$2,672 per year.

In contrast, New Zealand-based agents receive a slightly lower rate of US\$15 per hour. However, they often present a viable alternative for Australian organizations seeking language, accent, and cultural similarities. Australian organizations seeking to streamline contact center labor costs frequently turn to countries such as India, the Philippines, Fiji, and South Africa. In these regions, agent hourly rates are notably lower, typically ranging between US\$3.5 to US\$10 per hour, making them appealing choices for organizations prioritizing cost reduction.

Contact center agents in Australia are predominantly mono-lingual

The influence of the low qualification requirements is also reflected in the language distribution among contact center staff. Approximately 80% of Australian contact center agents exclusively speak English, whereas around 20% of the employees are proficient in one or more foreign languages.⁶¹ While government centers provide various language options, multi-lingual support in corporate contact centers in Australia is relatively limited. Given Australia's growing multicultural population, there is an excellent opportunity to leverage the skills of multilingual agents and serve customers who prefer to communicate in languages other than English.

Moreover, not only are the entry conditions favorable for contact center agents, but the working conditions have also become more flexible. The pandemic has significantly impacted contact center operations, with 76% of Australian contact center agents working from home. Although this percentage decreased to 57% in 2022, it remains well above pre-pandemic levels. This shift to remote work showcases the industry's adaptability and willingness to embrace modern ways of operation, providing agents with greater flexibility in managing their work-life balance while ensuring continued efficiency in customer service.

⁶⁰ ABS, SMART

^{59, 61} Overall Australian population: 72% speaks only English, 20% multi-lingual (who are speaks well to very well English) and 3% speak languages other than English. 5% - no data



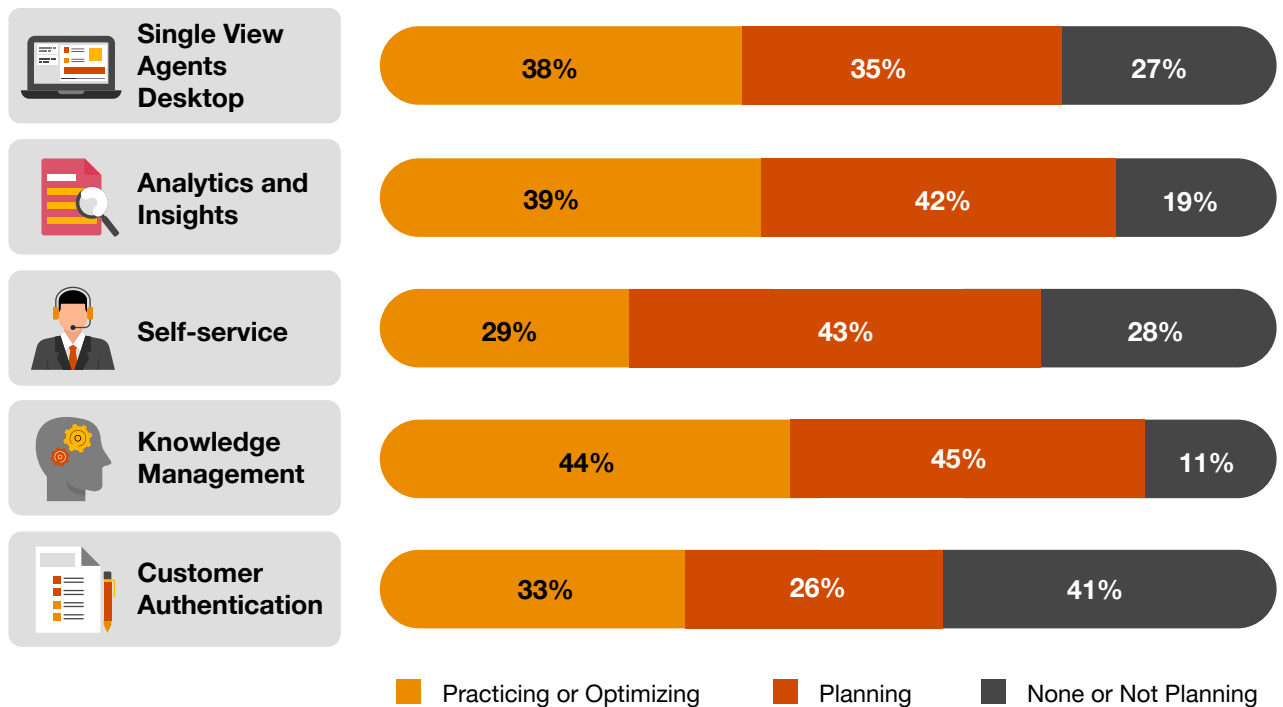
Technologies and the shift to CRM 2.0

In addition to the increasing availability of remote working options, the adoption of advanced technologies is also playing a pivotal role in shaping the working practices of agents in contact centers. Most Australian contact center outsourcers are on the path to digital transformation, operating at a moderate level of maturity compared to global best practices. This presents significant opportunities to improve efficiency as well as customer and employee experience using technology.

A recent survey of Australian contact centers has identified the following top five contact center technology types: single view agent desktop, analytics and insights, self-services, knowledge management and customer authentication.

Figure 27 Distribution of the use of the top 5 contact center technology types in Australia (own illustration)⁶²

Top 5 contact center technology types



However, as depicted in the figure above, only 29% to 44% of Australian centers have adopted these technologies. Surprisingly, a considerable percentage have no intention to adopt certain critical technologies, such as a streamlined process for customer authentication across channels, self-services, and single view agent desktops.

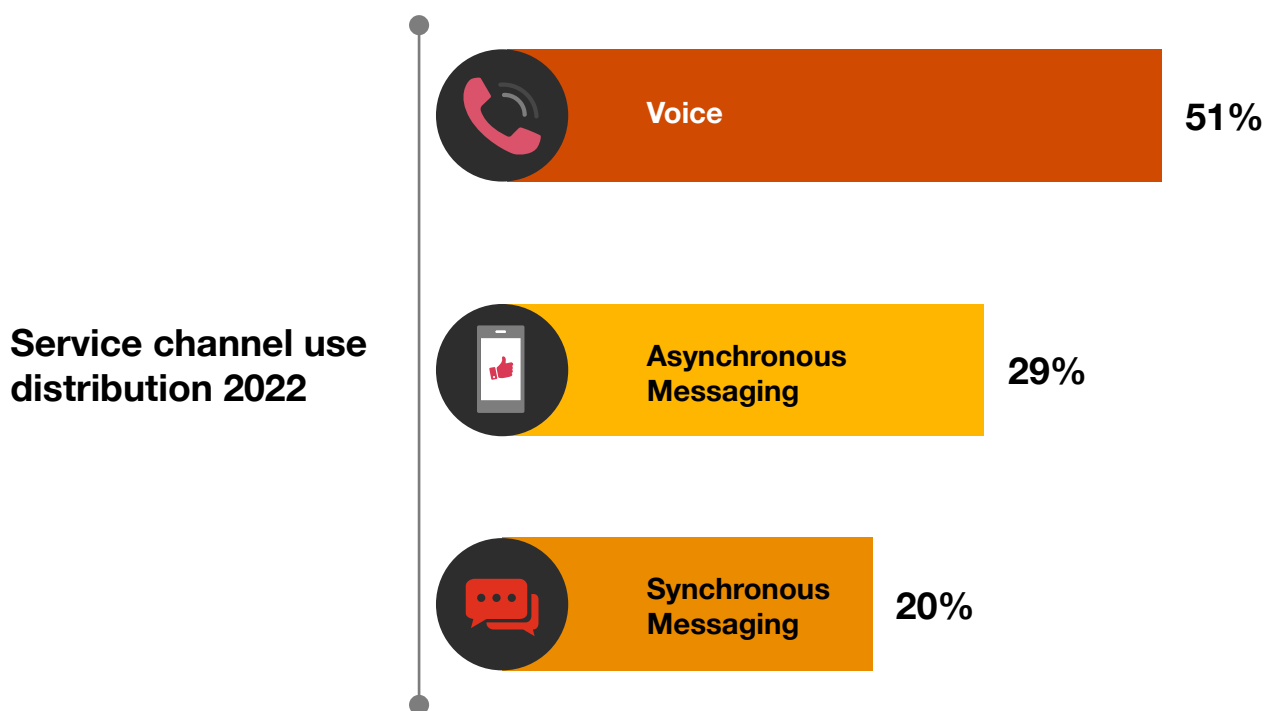
⁶² SMAART

It is intriguing to see that Artificial Intelligence is growing in popularity, especially with the introduction of ChatGPT in 2022, which has resulted in a remarkable rise in AI-related tools and awareness. Currently, 44% of contact centers are using AI in some form, with chatbots/virtual agents, speech analytics, and predictive call routing being the top three AI implementations – an increase of 10% up from 2022. Moreover, it is noteworthy that 85% of AI users believe that AI supports human agents rather than completely replacing them. This view reflects a positive attitude towards the collaborative potential of AI and human agents and underlines a symbiotic relationship in which AI empowers agents to perform better. In addition, 82% of AI users think that AI contributes to an improved contact center experience, which highlights the impact of AI in optimizing customer interactions, streamlining processes, and providing enhanced service quality.

Voice remains the main and preferred service channel

The CRM and contact center industry leaders' view of technology appears to closely align with customer preferences and needs. More than half of all customer interactions in Australian contact centers occur via telephone or other voice channels. The demand for such voice-based channels is expected to remain constant in the short to medium term unless there is a generational shift in communication preferences. A key reason for the continued popularity of voice-based interactions is that customers see them as a more effective way to answer complex questions.

Figure 28 Service channel use distribution in Australian contact centers (own illustration)⁶³



⁶³ SMAART

As per Figure 28, asynchronous messaging holds the second-largest share of service channels at 29%, with its popularity continuing to grow. This communication channel offers flexibility to customers and service providers, especially for simple or non-time-sensitive requests. In addition, customers can submit a request without having to stay online again, allowing them to continue with other tasks or log out. On the other hand, agents can pick up the case at a later stage and respond to the customer when they are available.


In contrast to the other two channels mentioned, synchronous messaging, represented by live chat, holds the remaining share of 20%. Unlike asynchronous messaging, synchronous messaging requires the customer and agent to be active online and talk in real time.

Evaluation of the Australian CRM and contact center outsourcing market

After a thorough analysis of the Australian market, an evaluation based on strengths, weaknesses, opportunities, and threats is presented.

Figure 29 SWOT analysis of Australia from a contact center perspective (own illustration)





The positive facets of the Australian CRM and contact center outsourcing industry lie in its stability and promising future potential. The individual strengths stem from the industry's ability to generate consistent annual revenues and meet firm contractual performance commitments, contributing to its market forecasts. In addition, the widespread adoption of cloud-based technologies and infrastructure has resulted in minimal capital requirements, enabling rapid implementation of solutions without extensive investment in physical equipment and facilities. In addition, the industry benefits from low barriers to hiring and training new employees, as well as easy market access, which creates a favorable environment for new players to enter the market. Not least, the potential for market consolidation further improves growth prospects for the industry.

Further to the strengths outlined, the Australian outsourcing market offers some compelling prospects. One of these opportunities stems from customers' changing preference for interactions with local representatives, allowing providers to establish local contact centers and meet this demand. In addition, the abundance of smaller contact centers in Australia creates a favorable environment for outsourcing providers to consolidate their operations to offer more comprehensive and efficient services. Further growth opportunities arise for service providers in times of economic uncertainty caused by high inflation and recessions. Companies under financial pressure may outsource their internal contact centers, allowing vendors to offer their expertise and help improve operational efficiency and optimize costs. This represents a valuable opportunity for providers to expand their customer base and succeed in a challenging economic environment.

Although contact center BPOs see the potential to increase their profit margins through AI-driven workflow automation, Australia is currently facing limitations regarding the efficiency and effectiveness of the solutions desired by customers. This can be traced back to the market's current digital transformation and its moderate level of maturity compared to global best practices. As the market continues to evolve and mature, it is crucial to address these limitations to fully realize AI's potential and effectively meet customer needs. Another weakness lies in the nature of BPO contracts, which are mostly volume-based, thus hindering the development of innovative strategies to reduce contact volume. Besides the mentioned aspects, there is limited product differentiation among vendors, which are primarily differentiated by price and technology rather than unique service offerings or value-added solutions.

The market is also facing significant threats, most notably the escalation of labor costs, which is putting significant pressure on outsourcing providers' profit margins. This challenge makes it increasingly difficult for providers to strike a balance between maintaining profitability, offering competitive prices, and delivering high-quality services. In addition to the mentioned obstacle, the market faces growing competition from emerging markets and is vulnerable to economic downturns. Moreover, the labor shortage in the industry, caused by pressure from better-paying jobs, makes it challenging to attract and retain employees. The shift in customer preferences towards digital channels for service interactions and the generational change from assistance

to self-service threaten the traditional contact center model and require providers to adapt and invest accordingly. Finally, low barriers to in-house contact center management, which can be accelerated by major incidents such as data or cybersecurity breaches, have the potential to reduce the demand for outsourcing services.



Conclusion

The Australian CRM and contact center market shows remarkable stability, with an outsourcing market value of US\$1.06bn. This steadiness can be attributed to a well-rounded strategy that prioritizes exceptional customer experience, strategic agent placement, and factors such as population growth, climate events, and digitalization. Simultaneously, the rising demand for local agents, especially in complex queries, remains a driving force behind the market's momentum. Forecasts indicate a continued upward trend, with the market is expected to grow at a CAGR of 2.1% to 3% over the next three years.

The positive outlook is strengthened by a favorable employment situation for contact center agents, characterized by low skill requirements and flexible working conditions. However, challenges arise from labor shortages and more lucrative job opportunities, which pose difficulties in attracting and retaining agents.

Companies must strategically invest in cutting-edge technologies such as AI and self-service options to meet ever-changing market demands and maintain competitiveness. These digitized solutions create new accelerated communication methods, enhancing not only agent experience but also ensuring an exceptional customer experience.



4.4

Deep dive

UK

Authors

Anthony Ellis, Auxane Le Bris



4.4 Deep dive: UK

In the realm of European CRM and contact center outsourcing, the United Kingdom holds a notable and influential stance. With the largest market share on the continent, it has attracted providers seeking operational expansion. However, as in any other place, outsourcing in the UK presents unique challenges. Examining this region highlights the UK's unique qualities and how the market will evolve in the coming years.

The CRM and contact center market of the UK in numbers

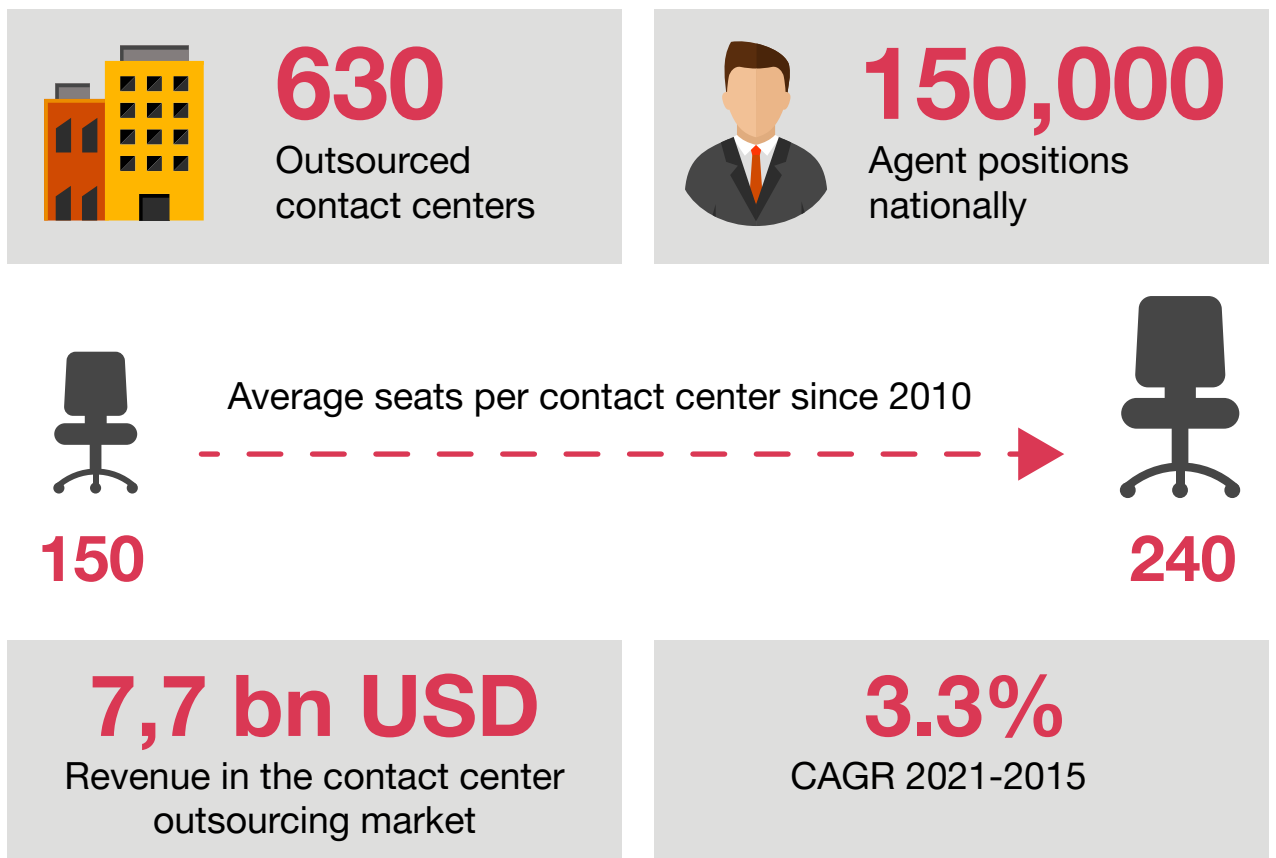
The UK outsourcing market has experienced headline growth across all key indicators as post-pandemic and increased customer expectations continue to drive demand

Figure 30


Contact center outsourcing market of the UK at a glance
(own illustration)⁶⁴

UK outsourcing market at a glance

The outsourcing market in the UK has seen significant growth in recent years



⁶⁴ Statista, Everest Group, Technavio, PwC



The visual representation highlights the thriving nature of the CRM and contact center outsourcing market, evident from its substantial market volume of US\$7.7bn, establishing the UK as the largest market in Europe. Our research indicates an expected rise in staffing levels, particularly due to outsourcers' expanded provision of digital support compared to previous periods. A comprehensive analysis of the outsourcing sector indicates that growth will persist post the pandemic until 2025, driven by escalating customer engagement demands and corporate channel transformations. Consequently, in line with projections, the market is poised for a moderate expansion, maintaining a CAGR of 3.3%, preserving its enduring impact.

The domestic CRM and contact center outsourcing industry in the UK continues to be highly competitive due to low barriers to entry and greater outsourcing by small to medium-sized enterprises

This is made possible by the introduction of new technology that enabled the launch of new digital channels, which lowered the upfront entry cost and day-to-day operating cost.

The influx of new, cost-effective competitors has disrupted the overall market, which started offering lower prices to remain competitive. As a result, the industry began developing lower-price, higher-volume offers to the market that have driven agility and helped balance profitability and growth. Going forward, the market is investing in the following drivers to sustain growth and deliver improved service experiences to clients and their customers:

1 Lower cost delivery through traditional channels

Increasing efficiency and reducing service costs via email and phone channels remains a priority for the sector, with success in this area a prerequisite for revenue and profitability growth. This means that human-powered channels should only be used for complex interactions, catering to customer expectations of empathy and reassurance. Other, less complex requests, where customers are primarily concerned with efficiency, speed, and convenience, can be handled through automated, low-cost channels. Companies need to not only introduce their customers to these new digital channels but also train them on how to best use them and equip them with the tools they need to navigate between different channels depending on the nature of their request.

The domestic UK sector continues to balance these considerations with maintaining its reputation for quality service to compete in Europe and globally, particularly with the continued presence of lower-cost international players.

2 Investment in AI and Robotic Process Automation

Expanding beyond traditional channels and investing in AI and automation is also reaching greater maturity and adoption in the market. While business model transformation is typically associated with SaaS and in-house service providers, it is also taking place among outsourced service providers. This provides opportunities for growth by augmenting the efficacy and depth of their existing channels and reducing costs for providers and their clients through



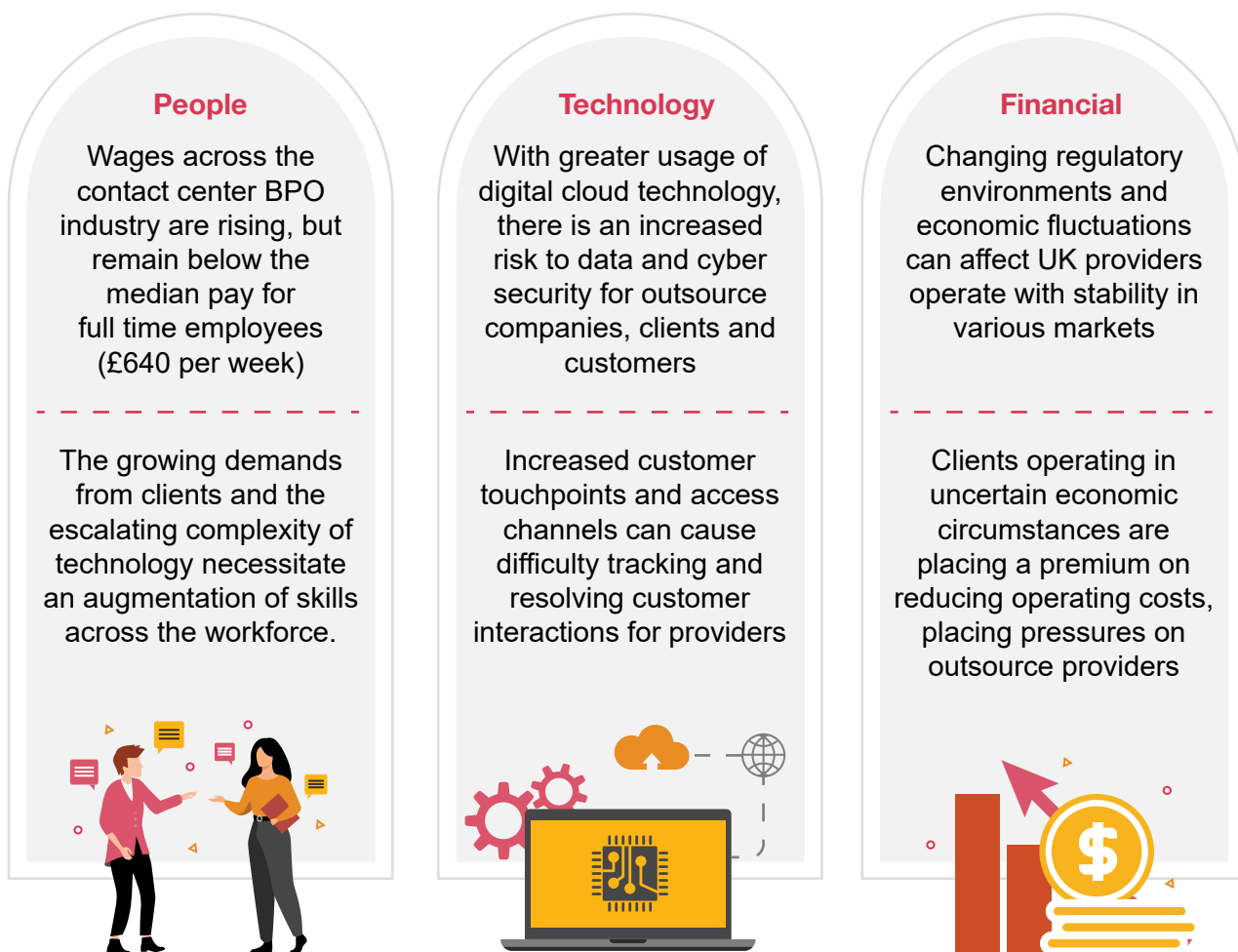
faster resolution and decreased volumes for low value-added interactions. Organizations need to consider new technologies in their offering and continuously be on the lookout for new technology entering the market.

3 Greater levels of coordinated service through CRM 2.0 and cloud computing

Organizations are actively reshaping their perspective on customer relations by investing in CRM 2.0 and cloud computing solutions. Initially perceived as threats to outsourcing providers, these technological solutions are now seamlessly integrating into leading service offerings, marking a paradigm shift in how businesses approach and enhance their customer relationships. Over the next five years, contact center BPOs that can integrate their channel interactions into a holistic view of customers' end-to-end experience will be able to drive improved satisfaction and reduce cost to serve.

Figure 31

Challenges facing the CRM and contact center outsourcing market in the UK (own illustration)



Insights from Guest articles

Customer education is critical to digital adoption and success of new technology

Introduction of new channels may temporarily increase the demand on existing channels as customers learn to use them

Modern contact centres require a completely new approach to ways of working

A new perspective to capability model is required where performance is linked to 'quality of service' than 'time to serve'

Horizon scanning for new technology entering and potentially disrupting the industry

Identify the best ways to leverage the innovations in technology with careful assessment of its impact

The market of the UK from a contact center BPO perspective

In line with similar markets globally, UK outsource providers have experienced consistent growth and consolidation over the previous decade. The phenomenon is marked by a 150% increase in agent positions since 2010, surpassing the growth rate of service provider numbers, which only rose by 60%. This underscores that the market, despite garnering substantial client interest, has responded to the demand by expanding the footprint of existing players and enhancing efficiency in catering to market needs.

The market landscape in the UK is dominated by world-leading contact center BPOs

1. Sitel UK Ltd. (Foundever)
2. Teleperformance Ltd.
3. Concentrix Inc
4. Capita Customer Management
5. TBC

The top players in the UK market, such as Sitel UK Ltd., Teleperformance Ltd., Concentrix Inc, Capita Customer Management, and TBC have reaped the benefits of overall industry growth during the pandemic by leveraging pre-existing technology platforms, the ability to increase headcount faster than their competitors and winning large public and private sector contracts. This includes taking advantage of opportunities to participate in public health initiatives such as 'test and trace'. High demand and an increase in contract size have meant that the top 4 players now control 32.3% of the overall domestic market.

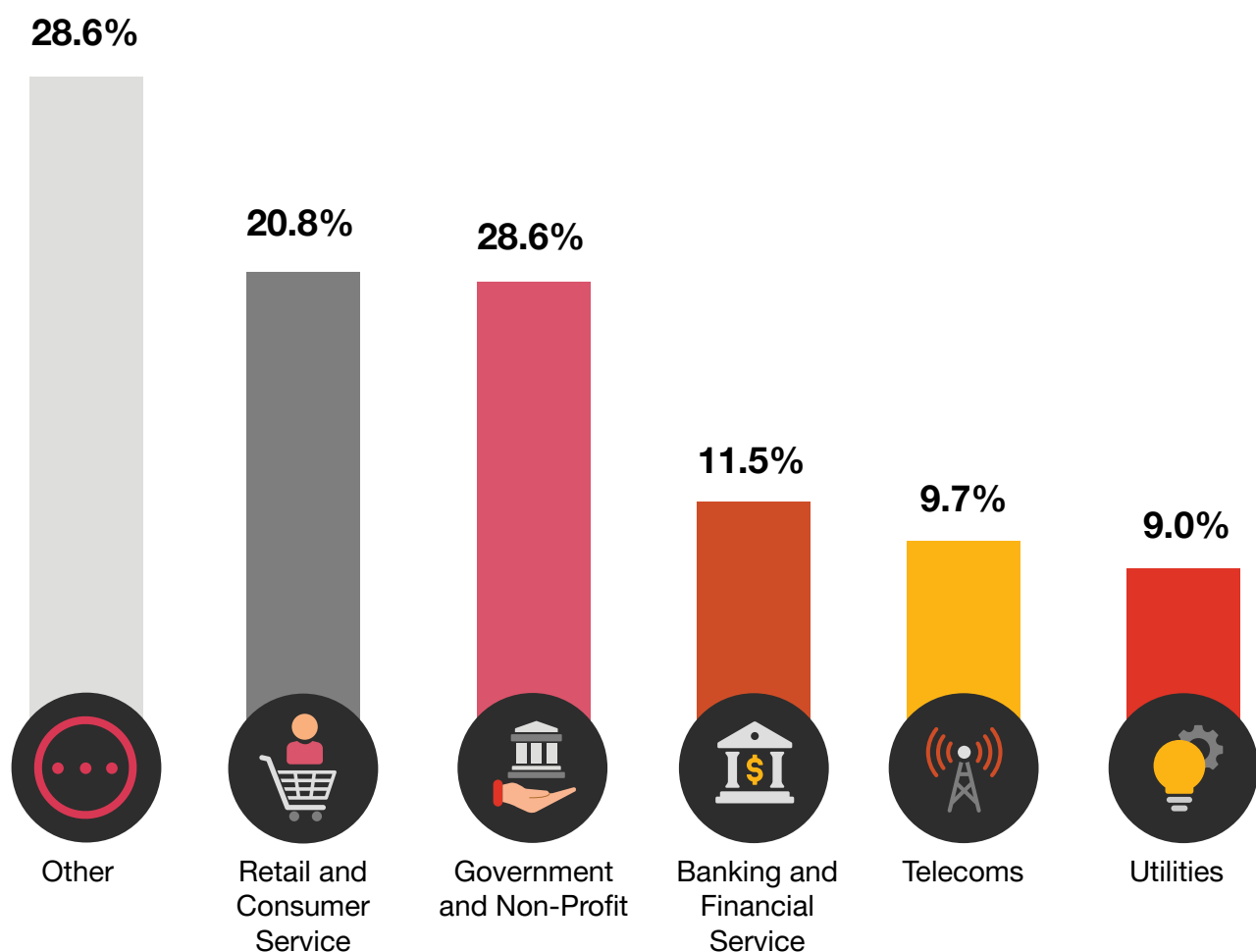
These players have also been at the forefront of investment in key technology and human capital innovations that have had cascading effects throughout the industry. Primarily this has meant that larger organizations have been able to implement hybrid and remote working models for staff to drive higher employee satisfaction scores and streamline recruitment. Similarly, they have

been able to invest in innovative technology platforms for the front and back office, including cloud-based customer engagement platforms and AI process automation to improve throughput, satisfaction, and profitability. Moreover, the leading players have the advantage of economies of scale over smaller players, further driving their competitive edge. From a global perspective, it is worth noting that several of the UK's larger providers have begun outsourcing some customer-facing channel staff, including digital chat agents, overseas to increase capacity and reduce costs.

The CRM and contact center outsourcing market reaches global maturity with even market penetration

By global standards, the UK CRM and contact center outsourcing industry is comparatively mature and has even penetration across a range of markets and client industries, as shown in the figure below.

Figure 32 Industry split of outsourced contact center services in the UK (own illustration)⁶⁵

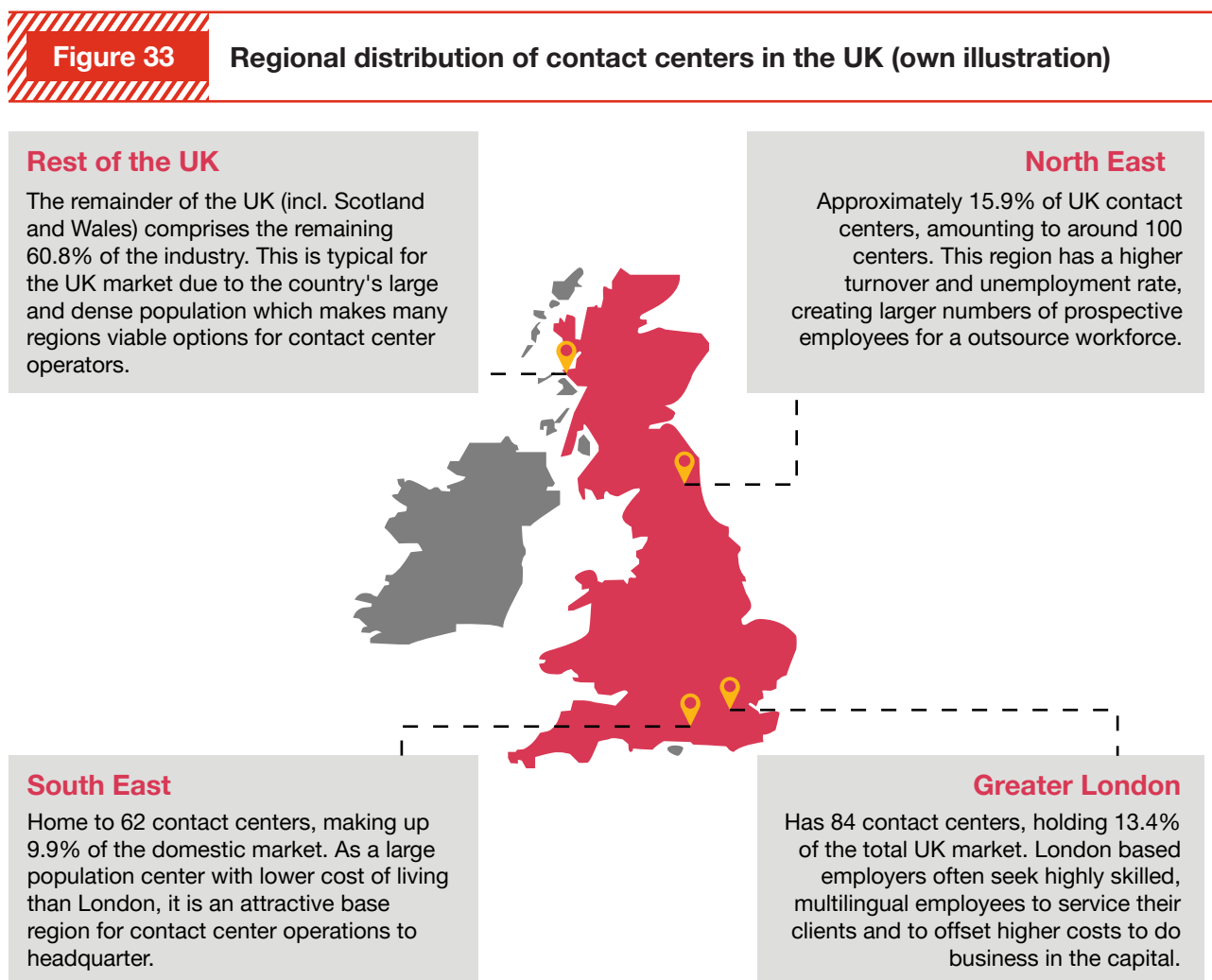


⁶⁵ IBIS World

Given the penetration of outsourcing providers across these major industry groupings, these service entities are subject to the entire spectrum of macroeconomic and social trends. As such, the future of the outsourcing industry growth revolves primarily around expanding their service offerings up and down the business process value chain. Currently, the market's largest most extensive service segment remains "customer support" (31.1% of services). However, to stay relevant and grow the industry, providers are looking to build capability in proactive outreach services. This is partially due to shifting customer expectations, as customers expect more outreach and advice across many sectors and consumer segments. It also is being accelerated by continued investment in technical solutions. As a result, organizations deliver a more advanced digital support experience to customers in real-time. In 2023, this has been particularly noticeable as consumer spending rebounded and unemployment has remained low.

Mapping contact centers in the UK: The Northeast takes the lead in the regional distribution

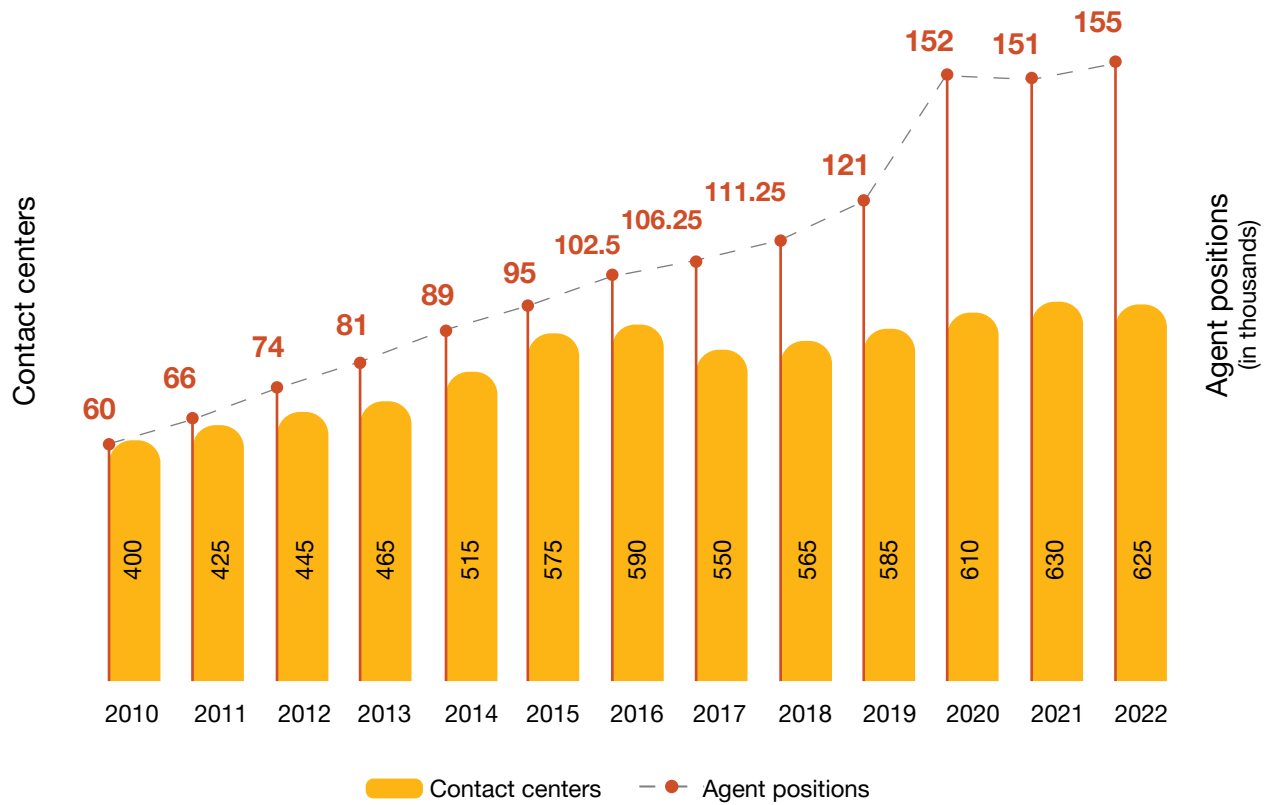
The regional distribution of contact centers in the UK reflects population size, unemployment rate and rent prices. The Northeast leads with the highest distribution of contact centers, followed by London and the South-East.



The market of the UK through the eyes of a contact center agent

The increase in the number of employees in contact centers mirrors the growth of the UK outsourcing market over the past decade (see Figure 34). The CRM and contact center market has increased its capacity by 2.5 times over the last 11 years, with a steady and consistent growth capacity from 2010 to 2020 of roughly 10% every year. The exceptional surge in 2020 capacity can be attributed to the COVID-19 pandemic and a shift in the customer service approach. From a labor market perspective, the rise in agent positions can be attributed to an increase in the overall number of operators in the industry due to the entry of smaller players, combined with the subsequent growth of some of the most prominent players in the market.


Figure 34 Number of outsourced contact center and agents positions in UK, 2010-2022 (own illustration)



The growth in capacity and the market’s evolution presents a range of opportunities and challenges for all participants, including:

1 A change in hiring practices

With the transition from human transactional interactions to more technology-driven processes and personalized understanding of customer needs, organizations have needed to adapt their



skill requirements. Contact centers have responded by training their current staff and altering their hiring strategies to acquire the appropriate skill sets.

2 Stagnant wages and inflation

The average outsourcing salary was US\$26,450 per year in 2021, and a consistent growth trend was observed from 2011 to 2021. However, the growth does not cover inflation, and wages remain lower than the industry average of US\$28,780 per year in 2021. While numerous agents engage in sales, leading to performance-related bonuses that average between 5% and 10% of their basic salary, the outsourcing sector closely manages its expenses, thereby constraining the benefits extended to its staff. Outsourcing agent attrition rates remain higher than other industries' average, possibly driven by lower salaries, as agents tend to leave in search of better wages. This puts additional pressure on organizations that may face supply chain challenges. Some companies consider alternative options such as increasing their offshoring capabilities to address this challenge and mitigate costs.

3 Hybrid working

Prior to the pandemic, only 26% of contact centers were using home working, and another 9% were running a pilot or setting one up. More than 75% of companies are using home-based work as part of their operating model, and only 4% have decided not to use hybrid methods. The legacy of COVID-19 is evident in the decision by many companies to maintain remote working partly or fully, which firstly benefits the workforce - increased wellbeing, better work/life balance and reduced travel cost, which are essential factors in an industry with lower-than-average wages.

Hybrid or virtual working arrangements unlocks new opportunities for businesses. They are no longer confined to recruiting local candidates and can attract higher-quality candidates by offering a better working environment.

However, some companies are reverting to traditional working models, recognizing its benefits, such as management and oversight of staff and general productivity. There is often concern that it would be difficult to manage homeworkers effectively from a remote location. Isolation can be a problem for both agents and management, and not all roles or agents are suitable for home working.

Organizations are looking to address these challenges by leveraging technology and digital solutions. This means introducing a stronger and better digital culture or implementing efficient workforce tools to support delivery, career progression, and performance assessment. Some organizations also explore employee wellbeing initiatives. From a recruitment perspective, organizations that fail to offer these benefits tend to be less attractive to high-quality candidates, and flexibility in work location has become necessary in today's post-COVID-19 landscape.





Technologies and the shift to CRM 2.0

The CRM and contact center outsourcing market has traditionally been conservative in its uptake of new service technologies and approaches. While the advent of new service channels and omnichannel customer preference has affected their service offering, much of the innovation in the industry has been driven by technology providers and organizations who drive their own customer service agenda. This affects outsource providers' ability to provide best in class offers to their clients and poses a threat to their business models that has been accelerated by rapidly changing expectations in a post-COVID-19 service environment.

This is primarily observable when comparing contact channel usage between outsourcing providers and in-house service organizations. Traditional channels such as phone, email and outbound calling are over-represented by outsourcing providers. Conversely, mobile apps and other emerging technology are still the preserve of their clients and in-house service providers. However, the industry has seen considerable investments and increased uptake in new technological offerings like gamification, web chat and AI-driven customer routing. The foremost challenge confronting outsourcing service providers is navigating the forefront of technological advancements while concurrently transforming their business models, which predominantly hinge on traditional channels, to align with client demands and foster innovative avenues for revenue generation.

The rise of demand for AI, which can drive improved customer experiences and enhance the information and insights for businesses, presents both a challenge and an opportunity for the industry. On the one hand, AI threatens the traditional revenue streams of outsourcing providers who still rely on largely throughput-based business models and traditional phone and email channels. However, industry leaders are using the technology to drive more efficient issue resolution through AI-assisted self-service and provide businesses with greater insights. Combining these technological advancements with a comprehensive CRM 2.0 will enable these leaders to access a greater share of customers' interactions and enhance end-to-end value for their clients. With the industry in flux, early adopters of these models are now beginning to see the benefits for customers and transforming business models to include new service technologies rather than seeing them as a threat.

The CRM and contact center outsourcing market from the real-world perspective

Having laid down the essential theoretical foundation, it becomes pivotal to shift focus towards practical knowledge to achieve a holistic understanding of the UK CRM and contact center outsourcing market. As such, this section undergoes a notable transition by featuring two distinct guest articles penned by experts affiliated with prominent entities: Sage, a renowned British multinational enterprise software company, and HCPC, the Health and Care Professions Council. These valuable guest contributions provide firsthand insights and pragmatic perspectives to illuminate the transformation of service.



Guest post: SAGE



Name: **Sharon Oley**

Position: **Customer Service Director**

Company: **Sage, multinational enterprise software company**

In recent years, a shift in the channels customers use toward digital has been observed, resulting in a much stronger digital presence for customers. Although Sage had started to implement a shift towards digital transformation, the pandemic accelerated this phenomenon. Customers now refer to proactive service (i.e., customer portal) or self-service channels (i.e., webforms, FAQ pages, etc.) for simpler queries and reserve human support channels for complex issues only. Following the introduction of new digital channels and the implementation of new technology, several challenges had to be overcome:

1 Educating customers - Initially, the introduction of new digital channels did not necessarily result in a reduction in volume on other channels, as customers first had to be educated about and encouraged to use new channels. Therefore, Sage had to train its employees to educate their customers, which can be an arduous process but has been successful. Customers are now well-informed about the appropriate channels for various inquiries, leading to consistently high customer satisfaction without any complaints or negative feedback following the implementation of these new communication channels.

2 Redefining performance metrics - With the evolving landscape of channel preferences, telephone interactions are now primarily dedicated to handling complicated requests or urgent scenarios, resulting in longer resolution times. Although an increase in Average Handling Time (AHT) has been noted for specific telephone interactions, it is crucial to recognize that this uptick stems from a shift in the nature of the requests and is not indicative of a decline in performance. In addition, results always depend on a paradigm shift in how AHT metrics are understood and evaluated within the organization. Sage is proactively working to realign performance indicators to match evolving customer behavior patterns.

3 Monitoring new technologies that come to market - There is a need to constantly monitor new technologies available to make informed decisions about what new channels to invest in. Adding new channels also poses some integration challenges (i.e., duplicate of CRMs). As a result, Sage has articulated its ambition to have a “single view of the customer”.

4 Rethinking the capability model - In line with the strategic decision to keep phone channels to complex queries and quality interactions, Sage had decided to invest in capability development and offer competitive salaries to attract the best talents. Following this strategic decision, the team had to rethink its organizational structure, roles, and responsibilities to align with the new capabilities and improve performance.

Guest post: HCPC

Name: **Rachel Murphy**

Position: **Operational Manager – Work Practice Improvement**

Company: **HCPC, The Health and Care Professions Council**

The main challenges HCPC faced were optimizing its working culture and contact processes while maintaining quality standards to better meet the needs of registrants. In this context, the company aimed to increase the efficiency of its team's channels and case management systems to speed up access to relevant decisions and enhance the pace of work. The team also identified prospects for improving effectiveness assessment.

Seizing opportunities for growth: Transforming workforce capabilities and streamlining processes

Considering the mentioned aspects, various initiatives were developed from the outset, including the optimization of employees' competencies. These included the development of innovative training modules for the company's staff and carefully refining team processes. In parallel, the service offering was expanded to include integrating case management technologies and back-office software. These improvements are also reflected in performance evaluation, accompanied by an expanded range of reporting functions.

At the management level, a consensus was sought on uniform performance management to create a culture of excellence and reduce fluctuation within the workforce.

HCPC orchestrates positive results through its established process improvement efforts

HCPC has embarked on an inspiring journey to drive significant positive change by strategically implementing process improvement initiatives. These innovations have curbed staff turnover and led to enhancements in key metrics related to workflows and productivity. The notable progress is closely tied to integrating advanced technologies that enable managers to efficiently monitor performance, immediately identify capable team members, and facilitate their rapid promotion.

A further notable aspect is the importance of established standards and a focus on quality throughout the organization, resulting in positive changes for employees, corporate culture, and efficiency.

Promoting comprehensive transformation: consistent and systematic implementation at all levels and continuous improvement

In summary, HCPC recommends being consistent and systematic when applying change tools during technology and process transformation. It is essential to clearly communicate the vision,



goals, and progress-tracking mechanisms while at the same time ensuring that every level, not just the top management, is empowered. Managing these inevitable challenges of change requires creating and maintaining a rhythm of work and focusing on consistency in daily and weekly activities.

Another key element is maintaining a culture of continuous improvement. At HCPC, this is achieved by creating a dedicated team (“Champions Network”) that leads improvement initiatives in their respective areas. This creates a mindset conducive to continuous improvement and supports the creation of new roles, strategic thinking, and the effective execution of huddle events. Ultimately, the goal is to embed the continuous measurement ethos into the corporate structure, making it an integral part of day-to-day operations that transcends executive thinking. The emergence of a sense of ownership among team members represents a fundamental cultural shift and underscores the central importance of the individual in an industry undergoing profound technological and economic change.

Evaluation of the CRM and contact center outsourcing market in the UK

After conducting a comprehensive analysis of the contact center market in the UK, the subsequent phase entails a thorough assessment encompassing strengths, weaknesses, potential opportunities, and threats.

Figure 35

SWOT analysis of the UK from a contact center perspective (own illustration)



Strengths

Flexibility and adaptability to a changing landscape

- COVID-19, and the subsequent series of lockdowns that followed dramatically altered ways of working for all businesses, forcing them to adapt.
- For many contact centers in the UK, the virtual/hybrid working model has been maintained post-pandemic, creating a “new norm” where working flexibility is not just desired but expected. This new working model can boost productivity by satisfying employee expectations and reducing costs, driving contact center revenue.
- Moreover, businesses are no longer restricted by location when hiring employees, widening the breadth of talent for contact center workforces.

Adoption of technological innovation

- Since COVID-19, businesses have greater access to new omnichannel scalable contact solutions, changing how contact centers operate. Key benefits include an accelerated time to market, the ability to handle demand surges, and efficiently managing scaled requests.
- Technological innovation has decreased the costs to serve; cloud platforms have reduced the need for physical handsets as well as server hardware, and digital services such as online chats (webchat and bots) also reduce the need for contact center staff, enhancing productivity.
- The leading service organizations are currently implementing technology strategies such as moving to CCaaS, for example, Amazon Connect, and expanding into customer engagement platforms such as Microsoft Dynamics and Salesforce Service Cloud.
- The AI example - AI can assist companies with reduced headcount. The increasing prevalence of AI in the CRM and contact center industry will hugely minimize costs and the volume of inbound call traffic, primarily for more simple, transactional calls as well as increasingly complex calls, transforming the CRM and contact center industry by minimizing time spent on solving simple issues, improving efficiency and customer experience.

Weaknesses

Talent gap and organizational design challenge due to the introduction of new technology

- Mundane processing tasks can be completed efficiently by AI, eliminating human error. Human agents now require a different skill set, dealing with more complex issues that demand high levels of human empathy, an area that may require agent upskilling.
- New technology may require customer education to accompany the introduction of shifts to new channels. If organization's fail to digitally transform, contact centers will not be able to utilize the benefits of technology. Employee upskilling and training are key to facilitating technological shift within contact centers.

High staff turnover

- A higher-than-average attrition rate, perhaps triggered by the lower-than-average salary compared to other industries, can create a faceless workforce lacking company culture and



loyalty. Virtual working in today's post-COVID-19 landscape reinforces this issue, diluting a company's central purpose through minimal human interactions. Consequently, the absence of loyalty could lead to lower productivity and poor performance, impacting customer satisfaction rates.

- The absence of company culture accentuates the high-stress nature of contact center work, potentially risking employee wellbeing. This can result in resignations and mental health issues, perpetuating this cycle of attrition.

Opportunities

Recognition of the benefits of third-party outsourcing

- There is a growing trend towards outsourcing; organizations prefer to outsource technical product support or billing/collection queries as they often lack the in-house support to solve these issues.
- In addition, outsourcing can be beneficial when dealing with sensitive customer issues, such as medical or mental health issues, by offering more specialized assistance.
- Due to the recognized benefits of outsourcing, clients are becoming more comfortable outsourcing their more complex work with trusted providers.

Expansion of the contact center market

- An increase in agent positions accompanies steady growth of customer service demand over the last 10 years.
- Large-scale initiatives such as NHS "Test and Trace" provided significant profit opportunities for contact centers. This recent expansion signals a thriving industry that has taken advantage of the opportunities presented by the pandemic.

Reduction of the entry barriers and creation of a levelled playing field

- This has enabled smaller businesses and startups to compete with the traditional heavyweights, thereby creating a more dynamic and diverse competitive environment.

Availability of new technology to broaden the offer of service and improve quality, convenience and speed of service

- Integrating technology into contact center architecture will elevate customer engagement by providing better service, higher satisfaction, and increased efficiency. It offers multiple communication channels, reduced wait times, and an increased chance of first-call resolution.
- Technological innovation grants contact centers greater access to customer data, facilitating the marketing and communication strategy.
- For example, technological alerts signaling the risk of customers switching providers can be sent, enabling contact centers to quickly deploy a strategy to try to retain them.

Increased complexity of client demand

- Clients have to deal with increasingly challenging customer challenges (i.e. vulnerable customers, temporary surge in demand), which requires a specific skill set that clients do not necessarily have and choose not to acquire.
- This provides an opportunity for service providers to sell at a slightly higher price point.

Threats

Reduction of entry barriers and opportunity for new players to disrupt the market and take market share

- Contact centers must strike a balance between competing in a saturated market and maintaining a high-quality customer experience.
- In order to compete, contact centers may scale up to increase efficiency. However, contact centers must maintain their personal and standardized service, to ensure 'first-time resolution' for their customers.
- Contact centers risk poorer quality services in search of more cost-efficient, competitive practices.

Surge in customer expectations regarding service quality and speed

- Customers are ready to embrace change, however, internal management is critical for maximizing benefits. Therefore, agents must be educated on the impacts and benefits of change to ensure that customers understand the changes made and satisfaction levels do not drop.

Turbulent economic environment

- Inflation will inevitably pose a significant challenge to all organizations, forcing contact centers to adapt.
- There are fears that contact centers may increase their offshore capabilities due to inflation searching for the cheapest option to mitigate rising costs. This shift toward offshoring, aimed at cost reduction, carries the risk of compromising service quality and triggering reputational damage for organizations.
- As the economic context fluctuates, there are fears that international competition could penetrate the UK market and displace the dominant players.

Availability of new technology poses the challenge of adoption

- New technology risks immaturity: underdeveloped digital technology creates poor customer experiences, perpetuating their digital trust issues and creating resistance to future technological interactions with contact centers.
- Technological advancements can isolate the digitally illiterate portions of the population; forced technological interaction can isolate certain groups, such as the elderly, reducing customer satisfaction. Therefore, it is essential to offer multiple customer engagement channels.

Conclusion

The UK CRM and contact center market plays a vital role in Europe due to its considerable size of US\$7.7bn. Like other European countries such as Germany, the UK is dominated by large global players who strategically place contact centers across the country, particularly in regions such as the Northeast, London, and the Southeast. The last decade has seen a significant upturn in the industry's contact center deployments and agent numbers, highlighting the increasing importance of the CRM and contact center market.

In line with global market trends, the UK is witnessing the rise of technologies such as Artificial Intelligence, which promises to unlock even greater potential for market players. These new technologies are changing the landscape, enabling outsourcing providers to deliver innovative solutions to their customers and challenging the foundations of their business models. This transformation has been accelerated by rapidly evolving expectations in a service-oriented environment, which the post-COVID-19 era has further accelerated.





4.5

Deep dive

India

Authors

**Anjumara Syed, Vivek Srivastava, Reina Bhardwaj,
Ashvin Bhatt, Ciril Jose**



4.5 Deep dive: India

Over the past three decades, India's contact center BPO industry has reached a high level of maturity, making the country one of the world's preferred destinations for outsourcing. This journey can be traced back to the early 1990s, when the industry grew steadily, with a significant influencing factor being the prudence of global companies in their attempt at sustainable growth. In line with this trend, businesses began to outsource their non-core functions to other locations offering the most cost-effective solutions without compromising service quality. Hence, with its abundant talent pool, robust infrastructure, and advantageous government policies, India became a sought-after market for companies to target. Today, India's industry is markedly different in the type of services it offers and how it works with its customers, with emphasis placed on value-added services and long-term partnerships. The following section comprehensively illustrates more detailed insights into the market size, contributing factors, and other noteworthy developments.

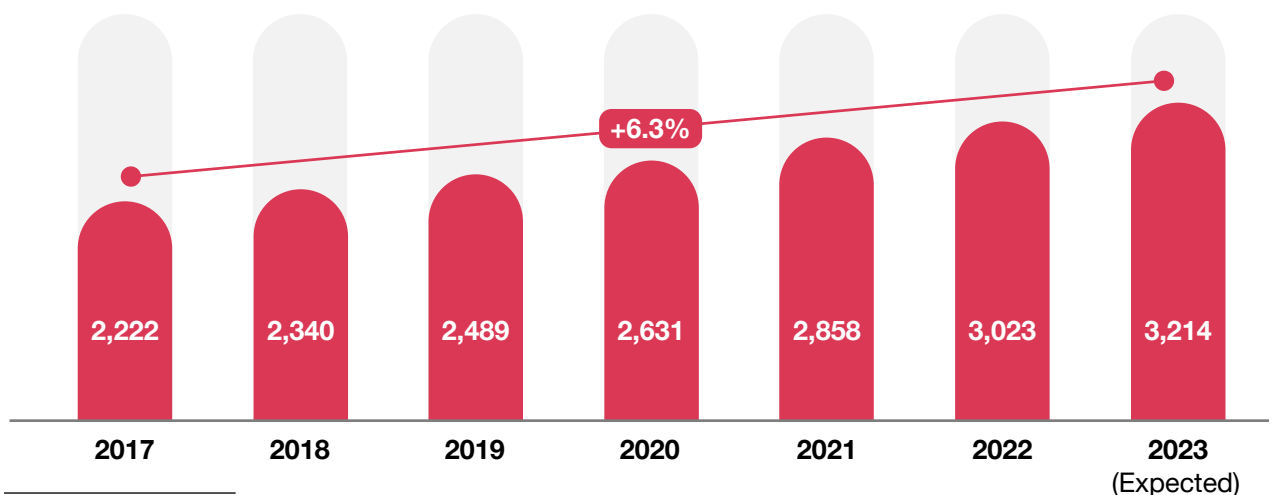
The Indian CRM and contact center market in numbers

As previously noted, India has undoubtedly become an attractive destination for contact center outsourcing businesses. This is also reflected in Figure 36, which clearly illustrates the growth path up to 2023. Starting from a market size of around US\$2bn in 2017, the Indian CRM and contact center industry has witnessed a remarkable upsurge and exceeded the US\$3bn mark by the end of 2022. This positive momentum is expected to continue through 2023, with the market volume increasing to approximately US\$3.2bn, corresponding to an annual average growth rate of approximately 6% from 2017 to 2023. Despite global economic challenges and geopolitical disturbances, the Indian market is benefiting from the growing demand from Western countries such as the US, the UK, Europe, and Australia. This positive trend is attributed to a combination of internal and external drivers, as shown in Figure 37.

Figure 36

Market volume of the Indian market from 2017 to 2023 (own illustration)⁶⁶

Revenue of the Indian contact center outsourcing market in USD million - 2017 to 2023



⁶⁶ Marketline, PwC



One major factor has been the mix of government and private investments in infrastructure, along with a favorable business environment resulting from the socio-economic transformation the country has undergone over the last three decades. Hence, companies benefit from a skilled workforce with excellent English language skills and comparatively cost-effective wages, similar to countries such as the Philippines, Vietnam and South Africa.⁶⁷ This favorable position allows companies to take advantage of labor arbitrage and increase cost efficiency. Accordingly, based on its ability to provide an appealing blend of top-quality services at competitive prices, India has firmly established itself as an attractive choice for companies seeking a winning combination of excellence and affordability.

The Indian government has also contributed to strengthening this position by providing substantial support to create jobs and promote a more equitable development based on reducing urban-rural disparities and regional inequalities. Accordingly, through the Digital India initiative the government had introduced policies and programs such as the Indian BPO Promotion Scheme (IBPS), which allocates US\$60mn annually to provide financial assistance in the form of Viability Gap Funding (VGF) to eligible companies, with the overall goal of:⁶⁸

- Creating approximately 1,500 jobs for the youth in smaller cities/suburbs
- Attracting investments in the respective regions for holistic development

⁶⁷ Care Edge Research: India – Outsourcing Sector Report, Dec' 22

⁶⁸ Ministry of Electronics & IT, India

In addition to the aforementioned factors, the government has also taken initiatives to address operational challenges, including improving data connectivity between outsourcing service providers. In this way, the government aims to support the contact center BPO industry in providing efficient and high-quality services, further contributing to its overall development and expansion.

Figure 37

Overview of the reasons for the Indian market growth (own illustration)⁶⁹

5 reasons for the Indian market growth



Cost Effectiveness

Labor costs in India are significantly lower (by up to 50.0%) in comparison to other offshore destinations.



Skilled Manpower

Nearly 6.5 million college graduates are added each year, with the majority being proficient in English.



Capability

Due to the strong presence of the IT and ITES industry in the country, the CRM and contact center outsourcing sector can offer innovative and latest technological solutions.



Infrastructure Readiness

Strength gained through capacity expansion and the development of industry-relevant infrastructure over the past three decades.



Favorable Business Environment and Government Policies

Strong government policies enable further growth of the sector.

While contact center BPO services in India have shown a positive upward trend, a gradual commoditization of BPO services has taken place globally, creating headwinds and new challenges. One notable impact is the partial loss of market share to countries such as the Philippines or South Africa. These countries have attracted business due to subsidies and government programs that have effectively lowered the total cost of ownership, leading to competitive pricing in the contact center BPO industry.

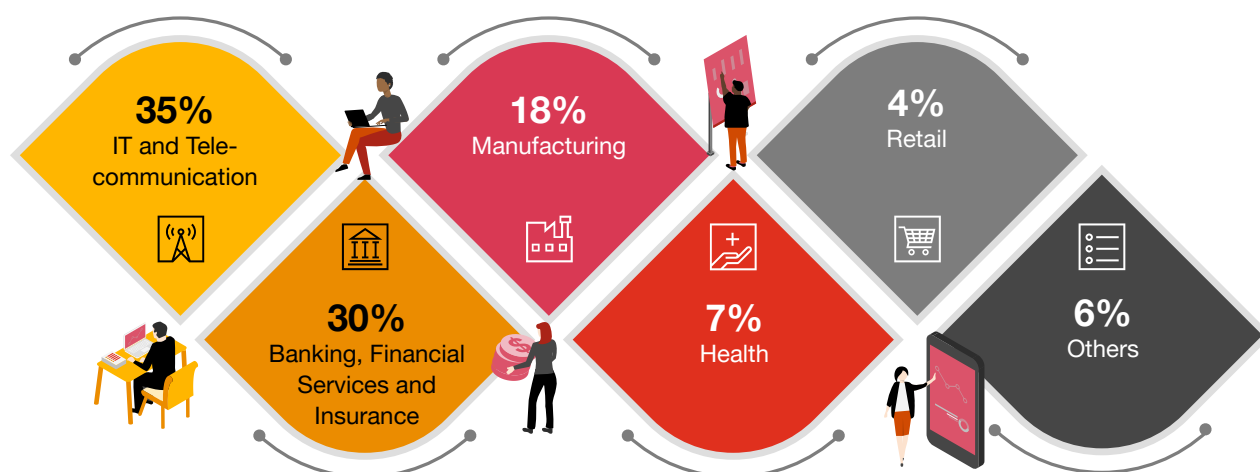
⁶⁹ NASSCOM, PwC

The Indian market from a contact center BPO perspective

Diverse offerings for a target global market

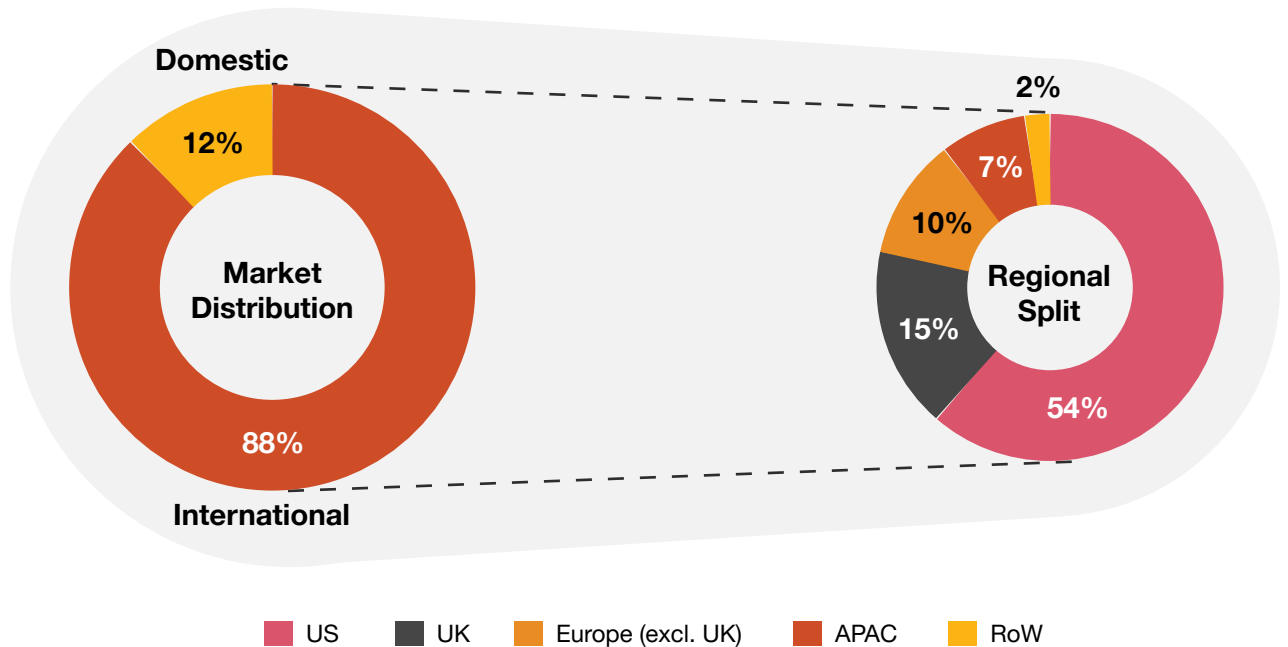
To succeed in this dynamic environment, offering a wide range of services is crucial. Initially, the outsourcing industry mainly focused on a limited number of sectors. However, as the market developed, the customer base expanded and diversified. As a result, the nature of tasks being outsourced changed significantly, leading to new service offerings tailored to the specific needs of customers from different industries. A visual representation of the current industrial distribution of the Indian CRM and contact center outsourcing market can be seen in Figure 38. Similar to Europe, the IT & Telecom industry is predominant with a share of 35%, closely followed by the BFSI industry (30%) and the manufacturing segment (18%). Industries such as healthcare or retail seem to play a less significant role, according to the share shown in the following figure.

Figure 38 Industry split of the Indian CRM and contact center outsourcing market (own illustration)⁷⁰



In addition to its thriving and diverse industries, India demonstrates its prowess in serving a multitude of global markets, as illustrated by the accompanying chart. It becomes evident that a substantial portion, nearly 88% of revenue is generated in markets that transcend national borders. Among these markets, the United States and the United Kingdom occupy a prominent position, highlighting their pivotal role in driving the industry's success. Although the contact center BPO sector also efficiently serves domestic outsourcing demand, its contribution to the overall market remains relatively modest at just 12%. Accordingly, India's remarkable successes can be attributed to the considerable volume and impressive value of its export-oriented segment of business process outsourcing services.

⁷⁰ Grand View Research

Figure 39**Regional distribution of the CRM and contact center outsourcing market (own illustration)⁷¹**

While the Indian industry caters to various regions across different continents, the primary factors that facilitate its sustained success are universally recognized: price competitiveness and exceptional service quality.

Global top players establish strong presence with major delivery centers

Given the critical role India plays in delivering outsourced services to the global market, it is a logical consequence that most global players have a strong presence in the country. Thus, companies like Genpact, Infosys BPM, Teleperformance, Concentrix, HGS, WNS, Firstsource, iEnergizer have some of their largest delivery centers in India. Apart from these leading companies, there are also many small and medium-sized enterprises (SMEs) companies with small operations, usually having only one location and employing around 50 to 200 people.⁷²

Collectively, these companies manage a substantial number of outsourced contact centers in the Indian market, amounting to a total of around 1,000. Among these, approximately 150 are medium to large-sized centers, employing a substantial workforce ranging from 1,000 to 20,000 individuals. The preference for establishing these centers is primarily observed in metropolitan areas and large cities, where they can accommodate and efficiently manage such extensive operations.

On the other hand, a considerable number of smaller contact centers (around 850) are dispersed across the country, extending beyond the boundaries of major cities and metropolitan areas. Nevertheless, some are also located in cities, albeit within a more limited geographic scope.

⁷¹ India Brand Equity Foundation

⁷² PwC

Such distribution allows for a more widespread reach and accessibility of contact center services, catering to diverse regions and communities nationwide.

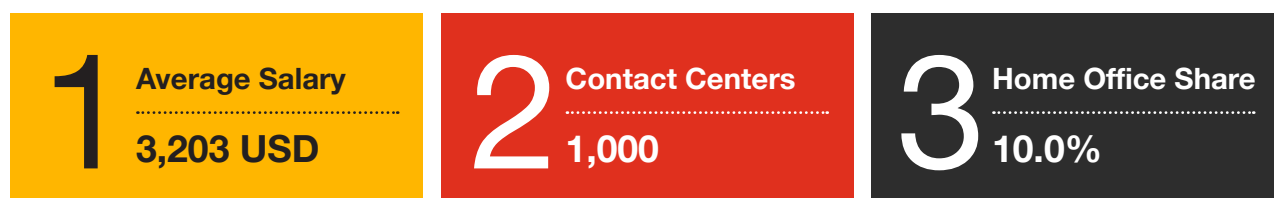
Looking ahead, it is highly anticipated that this number will witness significant growth in the coming years, projected to increase by approximately 10%.

The Indian market through the eyes of a contact center agent

Low wages and qualified agents provide a competitive advantage in global business

As mentioned earlier, the Indian market is characterized by a highly skilled workforce and cost-effective labor. Indeed, the salary of a contact center agent in India varies depending on the qualifications and the type of services provided, ranging from US\$2,150 to US\$8,500 per year, with an annual increase of around 9%.⁷³ Although the remuneration for service agents is still higher than the national minimum wage, it is significantly lower compared to Western counterparts. From an Indian perspective, however, the profession of contact center agent is an attractive employment opportunity for entry-level workers, resulting in little scarcity of agents, in contrast to certain European countries such as Germany.

The work-from-home practices in India are also intriguing, as they exhibit specific differences from those in Western regions of the world. While the industry rapidly adapted to new ways of working during the pandemic, it has now returned to its preferred model of office-based work. Since the pandemic has ended, nearly 90% of India's contact center agents have returned to working in offices, as most employers believe this contributes to better management and quality of service.⁷⁴



Technologies and the shift to CRM 2.0

In addition to the traditional office-based way of working, modern technologies are crucial in achieving higher service quality. The advent of CRM 2.0 has become a driving force for “insight-driven contact center BPOs” that aim to deliver engaging, contextual, and impactful services while ensuring lean and efficient operations. In this context, advances in machine learning and Artificial Intelligence are helping to automate a significant portion of purely rules-based tasks. Similarly, the introduction of omnichannel interfaces and customer self-service has revolutionized customer interaction by enabling seamless communication across different channels and empowering customers to access information and clarify questions independently.

When examining the distribution of contact channels in India (see Figure 40), it is apparent that contact centers predominantly rely on agent-based channels, such as telephone (32%) or email

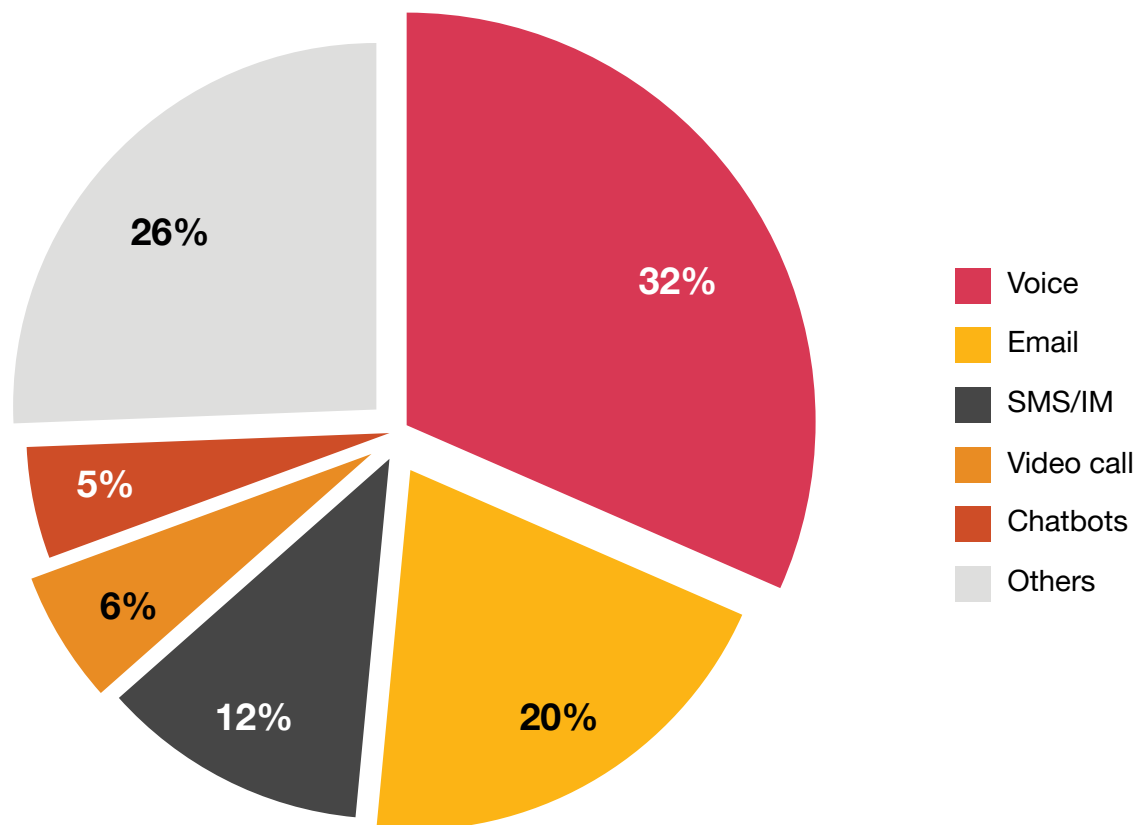
⁷³ Indeed, PwC

⁷⁴ PwC

(20%). Contact channels such as video calls or automated customer service solutions like chatbots are less prevalent in India. However, as mentioned before, it is worth noting that the advantages of digital services are being increasingly acknowledged in the country. The future holds exciting potential for developing these contact channels, and it remains to be seen how their relevance will evolve in the coming years.

Figure 40

Contact channel distribution in the Indian market (own illustration)⁷⁵



The CRM and contact center outsourcing market from the real-world perspective

Having laid a foundation of theoretical insights, it is essential to gain a comprehensive understanding of the Indian CRM and contact center outsourcing market from a practical perspective. Hence, this section features two special guest articles by industry experts from Tata Cliq, an Indian e-commerce company, and iEnergizer, a global BPO company. These contributions provide valuable first-hand experience and practical insights that shed light on the dynamics of contact center outsourcing in India.

⁷⁵ VCC Live

Guest post: Tata Cliq



Name: **Ashish Himthani**

Position: **Former Head of Customer Experience**

Company: **Tata Cliq, an Indian e-commerce company**

In the customer service segment, companies can either expand their internal competencies or pursue an outsourcing strategy. Building in-house capabilities is often limited to specific product lines or customer segments and requires more effort. As a result, outsourcing is often seen as the preferred strategy, allowing companies to focus on their core competencies.

When selecting an outsourcing provider, three factors are central to evaluating a suitable contact center partner: capabilities, commercial attractiveness as well as the strategic direction of the partnership. In this context, it is also of utmost importance that a contact center BPO adds value through its commitment to innovation and continuous improvement. This may also include an increasing focus on gaining better control over customer data and experiencing a seamlessly integrated omnichannel delivery. By considering these aspects, companies can make informed decisions to leverage the benefits of outsourcing, optimize their customer service operations, and enhance their competitive edge in the dynamic business landscape.

Besides that, it is crucial to recognize that the contact center market has reached a critical inflection point, driven by changing customer preferences in terms of contact channels. As a result, the industry's focus has increasingly shifted to achieving optimal efficiency, improving the customer experience, and maximizing cost efficiency. This shift has led to a decreasing importance of voice-based channels and is expected to continue. At the same time, the growing number of technologically savvy customers will drive the adoption of self-service alternatives and other automated channels.

In addition to channel redistribution, technologies such as Artificial Intelligence and machine learning (ML) will play an important role in increasing employee productivity, quality control, and improving the overall customer experience. These advances will lead to transformative improvements across the contact center landscape.

Guest post: iEnergizer



Name: **Adarsh Agarwal**

Position: **Co-founder and COO**

Company: **iEnergizer, a leading Business Process Outsourcing provider**



Name: **Sumit Permar**

Position: **Chief Sales Officer**

Company: **iEnergizer, a leading Business Process Outsourcing provider**

In the past, the focus of the Indian contact center BPO industry has been on rule-based contact center services. However, the focus has clearly shifted to business process management services. As a result, Indian BPO companies are now partnering with enterprises and collaborating extensively to design and develop processes that are based on unique business requirements and market dynamics. In line with this, continuous process and efficiency improvements can be expected, with automation and advances in areas such as speech analytics playing a critical role.

These efficiency gains are paramount for India as a major offshoring destination. While competition is steadily increasing from countries such as the Philippines, where the government has prioritized the development of the BPO sector, India remains a mature player in the industry, especially for companies with a considerable customer base, such as the Americas or Western Europe. This can be attributed to its significant cost advantages, offering savings of 70% to 80% without compromising quality. Moreover, the country is home to a vast talent pool of English-speaking professionals with diverse technical skills. This unique combination makes India particularly appealing for outsourcing services requiring specialized expertise in accounting, technology, and healthcare.

To take full advantage of these benefits, it is essential to establish an efficient way of working. In this context, it is worth noting that the pandemic outbreak triggered significant operational changes, including widespread work-from-home regulations and revised government guidelines for service providers, which accelerated the transition process. However, as the industry moves toward the post-pandemic phase, there is a prevailing preference to bring agents back into the office for better governance and quality management.

With the mentioned progression of automation and other technological advancements, the delivery model and the overall way of working, will undeniably change in the future. Yet India and its industry are adeptly placed to retain its dominance in the global BPO landscape.

Evaluation of the Indian CRM and contact center outsourcing market

After an in-depth examination of the Indian market, the subsequent step is a holistic assessment encompassing strengths, weaknesses, potential opportunities and threats.

Figure 41

SWOT analysis of India from a contact center perspective (own illustration)





Based on the previously identified findings, it becomes clear that the Indian market holds tremendous untapped potential, driven by a surge in international demand, particularly from English-speaking countries such as the United Kingdom and the United States. This has enabled the Indian contact center operators to acquire extensive expertise and provide customers with optimal service quality at an exceptional price. In addition, the growing presence of international contact centers in India has reduced set-up costs and encouraged the development of a robust infrastructure. As a result, the Indian market enjoys stability and offers promising prospects for further expansion. In this context, integrating modern technologies is crucial, as they enable the optimization of call waiting and handling times. Subsidies of the Indian government support these beneficial technological developments, further accelerating the efficiency and growth of contact center operations.

However, along with the mentioned advantages, there are also obstacles to consider. One central factor is the constant high costs of training and onboarding new agents. This process can be quite intensive, especially considering the service industry's tendency for high turnover rates. Besides that, the lack of Business Continuity Planning (BCP) is a major concern for small and medium-sized customers, who often rely on a single provider in India. Not having alternative options leaves these customers vulnerable to disruptions when issues arise with a single provider, highlighting the importance of diversifying vendor dependencies to ensure business continuity.

Looking ahead to future challenges, the growing importance of data protection legislation such as GDPR and CPRA is important to recognize. This development prompts contact center operators to allocate the necessary resources to address potential regulatory breaches proactively. Besides that, it is imperative to closely consider the challenges of digital transformation and the integration of novel technologies such as AI and RPA. In this context, developing effective strategies for seamlessly integrating these technological advances with the human element is of utmost importance. Even though numerous manual and repetitive tasks will be automated, humans will remain at the center, contributing their invaluable empathetic

qualities. By striking the right balance between automation and human contact, the CRM and contact center outsourcing industry can realize the full potential of technology while delivering exceptional customer experiences that leverage the unique strengths of human agents. In addition to these mentioned challenges, it is crucial to consider the increasing competition and demand in countries such as South Africa, the Philippines and Vietnam. Despite India's advantage in affordability and value, India is likely to lose market share to these countries. Therefore, strategic investments in the Indian market are essential to ensure competitiveness.

Conclusion

In conclusion, the Indian market remains resilient and is expected to grow significantly despite global economic challenges and geopolitical uncertainties. While the market volume stood at US\$3bn in 2022, it is expected to continue growing and reach approximately US\$3.2bn in 2023. This growth is primarily driven by strong demand from English-speaking countries such as the United Kingdom and the United States, which are looking for cost-effective talent pools to meet domestic needs. Looking ahead, the contact center outsourcing market in India will continue to grow thanks to the remarkable potential of technological innovations, especially in Artificial Intelligence. By leveraging those technologies, Indian contact centers can provide exceptional support to agents, resulting in faster turnaround times and shorter call wait times. This advances will be increasingly crucial in a competitive landscape where low-cost markets like South Africa continue to gain prominence. Subsequently, the domestic contact center outsourcing market will continue to play a pivotal role in the foreseeable future, retaining its significant position in the global market.





4.6

Deep dive

South Africa

Authors

Gavin Johnston, Jarryd George, Katia Lopes Mota



4.6 Deep dive: South Africa

In addition to the regions and countries already considered, the South African market offers an interesting perspective as it has one of Africa's most advanced business landscapes. This is attributed to its extensive English-speaking population, robust technical infrastructure, an abundance of skilled professionals, as well as the determined support from the South African government in promoting the industry. The following sections provide an in-depth examination of the current market dimensions, projected developments, and associated challenges.

The CRM and contact center market of South Africa in numbers

The South African BPO services sector is currently experiencing a remarkable upswing. Over the last years, it recorded an impressive growth rate of approx. 8.3% in 2021, contributing to a total value of US\$5.12bn. The prospects for the future are even more encouraging, as the sector is expected to rise even further, reaching a remarkable size of US\$6.53bn by 2026.⁷⁶

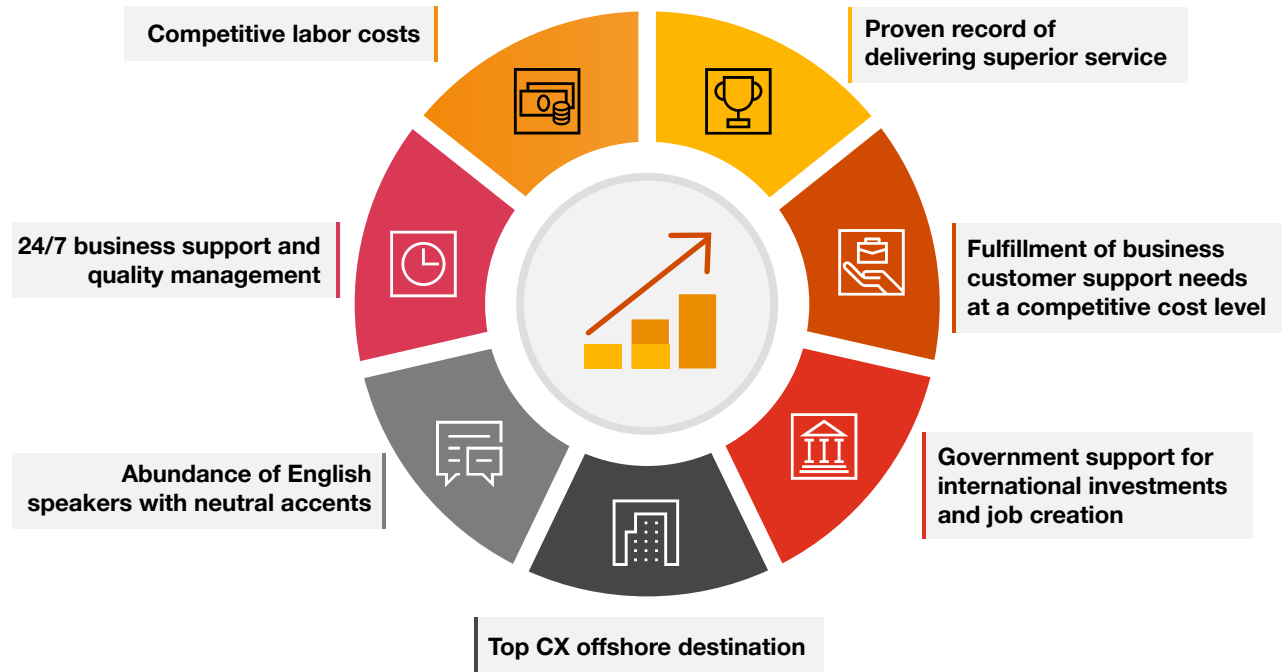
A closer look at the South African contact center outsourcing market reveals that the industry makes a significant contribution to the overall market. Although the main business activities are based in South Africa, the country's success extends far beyond the country's borders, contributing to a notable export volume of approximately US\$104mn annually. The sources of these revenues are primarily rooted in outsourcing contracts, with a significant portion originating from key markets such as the United Kingdom, the United States and Australia.



Unveiling South African contact center outsourcing development: exploring growth factors in a maturing market

Given the advanced stage of development and the remarkable expansion in South Africa, there is curiosity about the fundamental success factors that will guide the development of the contact center outsourcing sector. These major criteria are illustrated in the following figure.

⁷⁶ Marketline


Figure 42**Key factors contributing to South Africa's future success in the contact center outsourcing market (own illustration)****7 Key growth factors**

As shown in Figure 42, one major factor lies in the fact that BPO providers in South Africa offer companies cost-effective solutions that meet clients' diverse needs and significantly reduce costs associated with onshore or specialized offshore alternatives. These notable cost decreases are partially attributed to the competitive labor expenses, which are approximately 50% lower than those in the United States, the United Kingdom, and Australia.

The mentioned favorable offering is seamlessly coupled with competent round-the-clock support, ensuring customers a reliable and consistent service experience. Adding to this advantageous landscape is an extensive pool of English-speaking talents with a neutral accent. Hence, South Africa's linguistic edge makes it the third most popular destination for English-speaking services, reinforcing its appeal as a prime hub for global outsourcing efforts.

Another driving force behind this momentum is the government's determined commitment to the industry, including comprehensive support in various areas. The Department of Trade, Industry and Competition (DTIC) has taken proactive measures in fiscal year 2019/2020 by granting approvals for 12 new projects and securing funding for their implementation. From the allocated funds of US\$9.8mn, grants will be provided for the expansion of 10 existing businesses and the establishment of two new ones. These projects are expected to produce services that will contribute to an impressive US\$447mn in export revenues and support the creation of 12,624 jobs over the next five years.⁷⁷

⁷⁷ Who Owns Whom African Business Information



South Africa's track record in providing world-class services to global customers inspires confidence and recognition. The country was recognized and named a top location for 2020 and 2021 for its exceptional performance as a CX offshore location. According to Ryan Strategic Advisory's annual survey, South Africa has also ranked among the top two most popular offshore CX locations for the past five years, underscoring the country's strong reputation in this area.

In addition to the excellent conditions in the South African market, Traci Freeman of Business Process Enabling South Africa (BPESA), the national trade association and non-profit industry association in South Africa, also pointed to the increasing contact center BPO activity in other Sub-Saharan African countries such as Kenya, Ghana, Ethiopia, Rwanda, Senegal, Egypt, and Morocco. All these countries maintain solid foundations and are eager to expand in the contact center outsourcing market, regardless of the unique obstacles each of them must overcome.⁷⁸

The South African market from a contact center BPO perspective

Benefiting from the favorable conditions in the South African industry, like cost efficiency and government grants, many BPO contact center providers, such as Webhelp and Genpact, have established themselves in the country. Renowned for their exceptional customer service and streamlined communication solutions, these companies stand out as dependable partners for businesses seeking outsourcing alternatives.⁷⁹

Africa is witnessing a burgeoning establishment of Professional and Shared Service and Digital IT outsourcing (ITO) centers. However, the prevailing landscape of Business Process Outsourcing is predominantly composed of CX BPO, primarily concentrated in South Africa. Within this context, the South African market exhibits a distinct composition, with a significant emphasis of 90% on contact center services. Among these services, the inbound service segment commands the most significant portion of the market share.

The prevalence of contact center BPOs highlights South Africa's distinctiveness and competitive advantage. Factors such as exceptional quality, service delivery, language proficiency, and accent neutrality contribute to this advantage. These benefits not only foster job creation but also have a profound impact on marketing approaches and go-to-market strategies. How these elements play a role in the success and growth of the contact center BPO industry in South Africa will be considered in the guest interview on page 118.

Reasons for South Africa's competitive advantage

There is competition on a national level in South Africa, for international companies to invest in the various provinces. The city of Cape Town, located within the Western Cape province, has been popular largely due to the support international companies receive from the Western Cape government and special business unit, Cape contact center BPO. While Cape Town and other cities compete on international agreements and relationships, South Africa has witnessed increased investment in building contact centers within marginalized communities, where a large cohort of staff resides. This strategic approach allows South Africa to compete globally while positively impacting these communities through job creation.

⁷⁸ PwC

⁷⁹ Everest Group



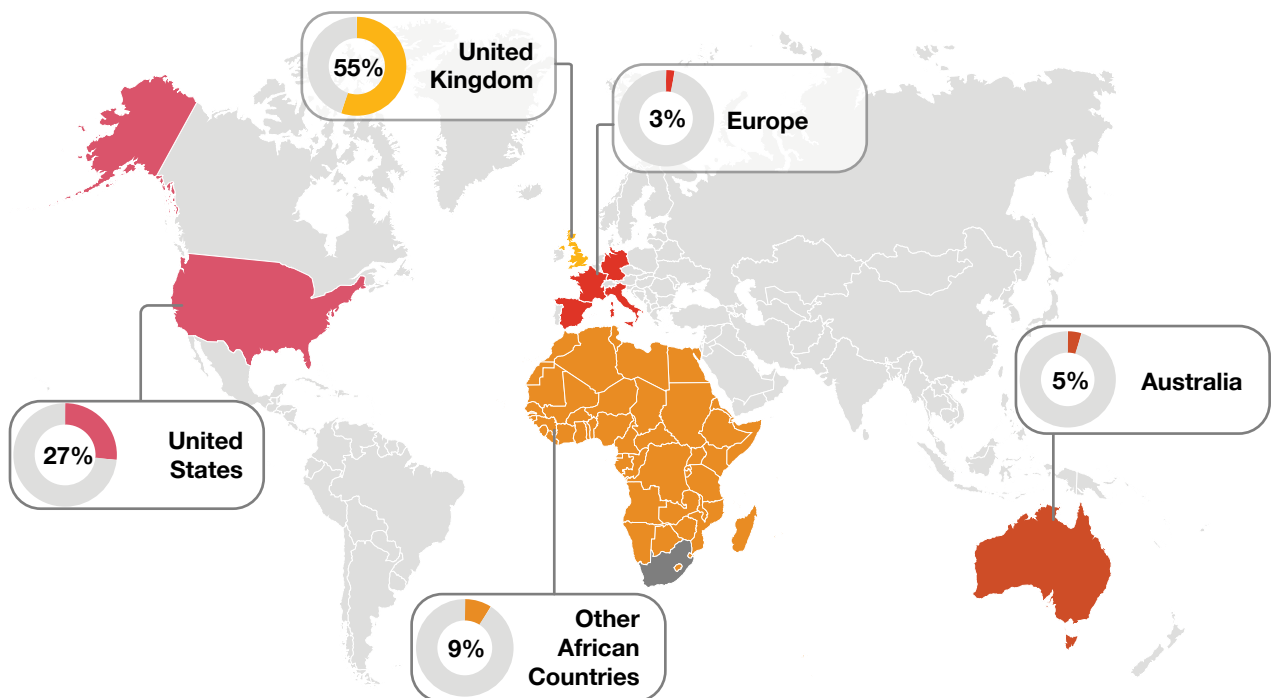
Another source of competitive advantage originates from the fact that South African contact center BPOs offer a superior customer experience due to the country's advanced CX maturity. The agents' adept, empathetic skills, high English proficiency, and accent neutrality empower them to engage and serve customers, resulting in higher customer satisfaction. Amidst the progress seen in other African countries, South Africa is proving to be a notable player due to its established expertise in this field.

The UK accounts for more than half of the global source market serviced by South African contact center BPOs

Given South Africa's maturity in providing customer service solutions, contact center BPO providers have made significant strides in conquering international markets, serving a wide range of countries and industries. Looking at the distribution of global markets covered by South African contact center BPO providers (see Figure 43), the United Kingdom stands out as the leading source market with a 55% share. This strong presence is attributed to cultural affinity, time zone compatibility, and shared language. Similar factors contribute to the United States' significant share of 27% as a source market. Despite the geographical distance, the US values the competitive advantages offered by South Africa, including cultural compatibility, English-speaking capabilities, and the ability to deliver customer-centric solutions efficiently.

Figure 43 Distribution of global source markets served by South African BPO providers (own illustration)

Global source markets serviced from March 2019 - March 2023



Examining the geographic distribution of contact center BPO providers across provinces that serve global markets offers insights into the industry's regional concentration. Notably, the Western Cape stand out with 44.9% of the contact center BPO providers, likely driven by its prominent city, Cape Town. Additionally, the province of KwaZulu Natal holds a significant share of 38.5%. Together, these two provinces account for nearly 85% of all contact center BPO providers in South Africa, indicating a dominant position within the industry.⁸⁰

In total, more than 100 local and international contact center BPO providers exist in South Africa, with the number continuing to grow. To comprehensively grasp the dynamics propelling these leading contact center BPO companies, examining the workforce that underpins them is imperative. This entails exploring the South African market through the perspective of a contact center agent.

The market of South Africa through the eyes of a contact center agent

Figure 44

Key facts and figures of South African macro-economics and education & youth (own illustration)⁸¹

Macro-Economics

Population: **59.3 million**

GDP: **USD 349 billion**

Unemployment rate: **30%**

Global competitiveness ranking: **67**



Education and Youth

Students that gain university education: **22%**

Placement and employment of students: **44%**

Youth population: **19.3 million**



⁸⁰ South Africa National GBS Quantification and Investment Report, BPESA, Who Owns Whom African Business Information, Contact Centre Operations

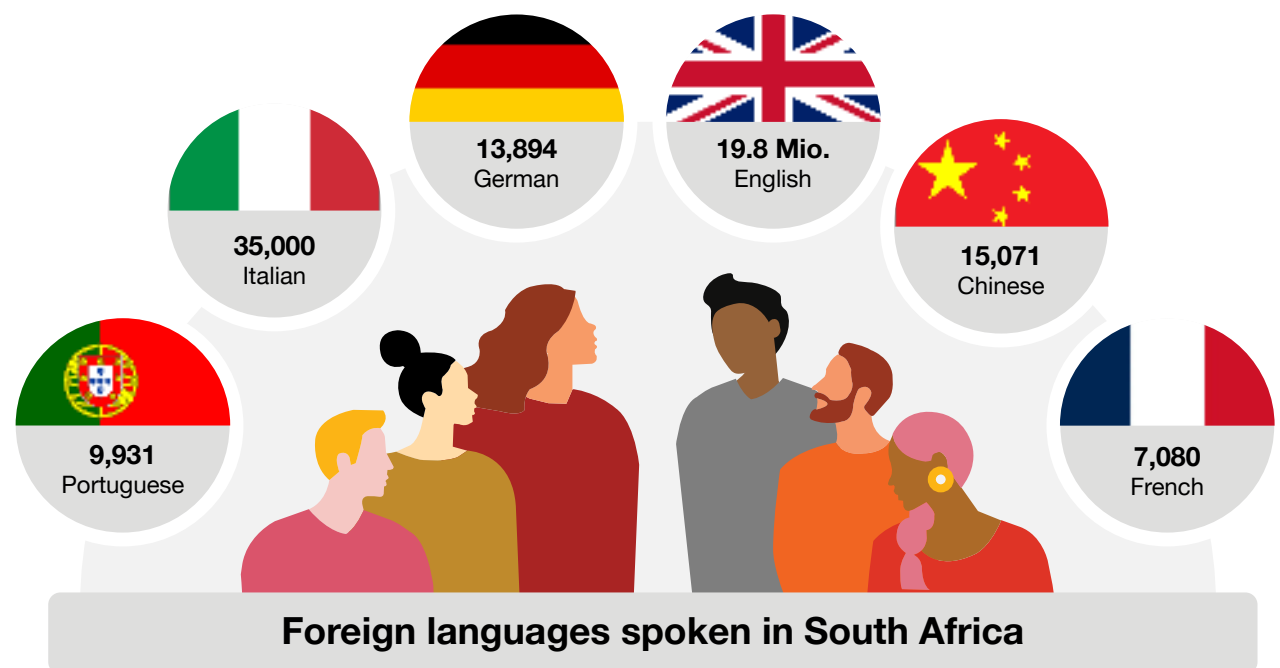
⁸¹ South African Global Business Industry and Country Assessment Framework

South Africa, with a population of 59.3 million, is a nation of immense potential. Despite its promising prospects, the country confronts economic hurdles, encompassing a GDP totaling US\$349bn, alongside a disconcertingly high unemployment rate of 30%. Nevertheless, South Africa has shown impressive progress within the contact center BPO industry, with a continuously growing workforce, indicating a positive market trend.

Taking a closer look at the qualifications of the South African population, the country showcases a pool of skilled individuals with a diverse range of language abilities. According to the 2021 post-school education and training monitor report, approximately 21% of students have a university degree, contributing to a pool of potentially skilled workers. Despite this well-educated talent, Statistics South Africa estimates the graduate unemployment rate at 10.7%. These statistics highlight a potential mismatch between the number of skilled workers and the volume of job openings.⁸²

In addition to education levels, South Africa's linguistic diversity also makes the country an attractive location for international contact center services. With an estimated 19.8 million English speakers and sizable communities of Chinese, French, German, Portuguese, Italian, and Afrikaans speakers, as shown in Figure 45, South African companies have the potential to provide multilingual support and skillfully meet the diverse needs of various countries across Europe and many other global regions.

Figure 45 Foreign languages spoken in South Africa and the number of people speaking it (own illustration)⁸³



⁸² 2021 Post-School Education and Training Monitor report

⁸³ BPESA, South African Global Business Services Industry and Country Assessment Framework

South Africa has one of the lowest wage levels

South Africa's diverse language capabilities contribute to its contact center market's potential growth and success. However, South African contact centers' greatest competitive advantage is the relatively low personnel costs.

According to the Government notice in 2023, the national minimum wage per hour increased from US\$1.27 to US\$1.39, resulting in an annual minimum wage of approximately US\$3,000 for a full-time employee working nine hours a day, five days a week. Although contact center agents typically earn more than the minimum wage, the salary of an entry-level agent may still reach a competitive level of US\$5,700 per year. Considering this, the overall average salary for contact center employees in South Africa ranges from US\$5,700 to US\$7,025 annually, with wages remaining relatively stable over recent years.⁸⁴

Figure 46

Recruitment practices, salaries and costs in South Africa (own illustration)⁸⁵



⁸⁴ PwC

⁸⁵ South African Global Business Services (GBS) Country Assessment Framework



South African agent wage levels are significantly lower compared to their counterparts in Europe, the United States, and Australia. Although countries in Eastern Europe, India, Malaysia, and the Philippines represent competition, South Africa performs very well in international comparisons of labor costs.

Companies are increasingly drawn to South Africa as an ideal destination to relocate their customer contact services, thanks to the country's diverse language capabilities and the clear advantage of comparatively low wage levels for contact center agents.

South Africa remains consistent in their ways of working

In the wake of the COVID-19 pandemic, the desire to work from home has become more widespread among employees, especially in Western countries. This can bring challenges for contact centers particularly in terms of data protection. However, this is not a hindrance in South Africa, where working from the office remains prevalent. The BPESA survey indicates that approximately 80% of the agents are still expected to work from the office, with only 10% working entirely from home and the rest following various hybrid models.⁸⁶

This office-based approach aligns with the data protection legislation in the country, specifically, the Protection of Personal Information Act (POPIA), which came into force on 1 July 2021. The Act influences how businesses operate, with some opting to ensure employees work from the office to maintain data security on company hard drives. It mandates businesses to keep customer data secure, obtain explicit consent for electronic communication, and strictly use customer information for the purposes for which consent was given.⁸⁷

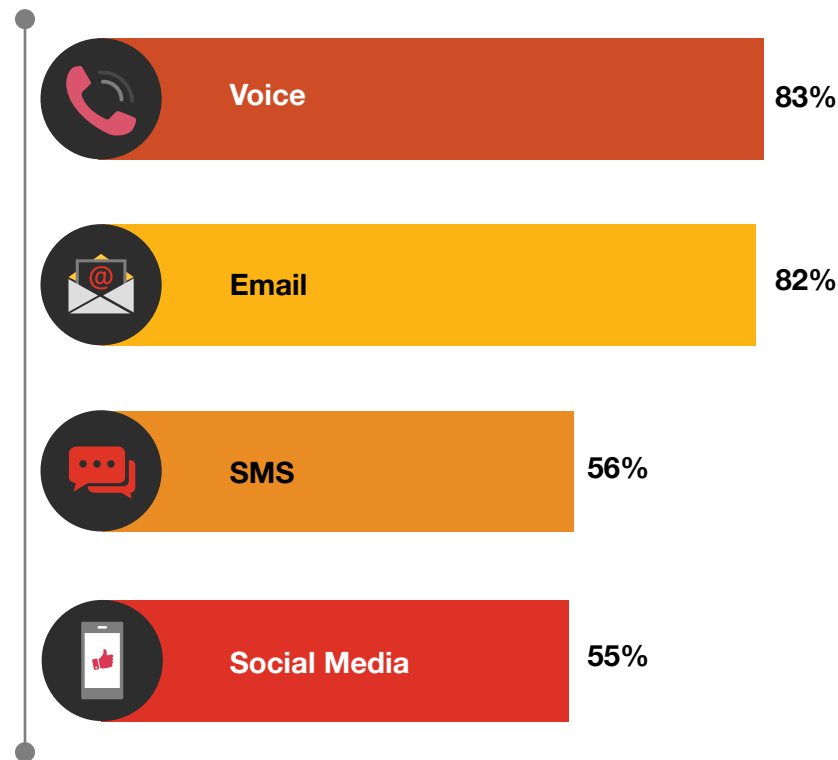
Technologies and the shift to CRM 2.0

The way companies engage with their clientele undergoes constant refinement amid the persistent influence of technology on the business landscape. Consequently, a firm grasp of present technology adoption and the ability to foresee upcoming tech trends are paramount. As reported recently, the prevailing trend indicates that traditional voice/telephone as a service channel in South African contact centers continues to hold the largest share, utilized by an impressive 83% of operators, as seen in Figure 47. With an almost equal share of 82%, the utilization of email follows closely behind. The rise of digital communication and the widespread use of mobile devices have led to the growing prominence of other channels. Two such channels are SMS and social media, which have secured their place as dominant digital communication options. Approximately 56% of companies utilize SMS and 55% actively use various social media platforms to interact with their customers.

⁸⁶ Business Process Enabling South Africa

⁸⁷ Who Owns Whom African Business Information, Contact Centre Operations



Figure 47**Service Channel use Distribution (own illustration)⁸⁸**

Looking at the technological future of the customer service sector, a recent thought leadership article from PwC Africa emphasizes the significance of adopting proactive strategies and personalized customer-centric approaches.⁸⁹ Leaving a favorable impression on customers is a crucial competitive advantage during the decision-making process. In this regard, the adept utilization of technology within customer service assumes a pivotal role.

The article highlights the importance of two key enablers in driving an improved customer experience: leadership and employee experience. Contact center agents need to focus on fundamental skills and embrace qualities such as resilience, flexibility, data utilization, leadership, proactive engagement, self-motivation, and problem-solving. Developing these skills will transform agents into co-creators of interactions and brand-enhancing ambassadors, enabling a shift from siloed working to omnichannel solutions, thus mitigating the need for specialized roles in teams. Recruitment and retention strategies will need to adapt to accommodate the changing workforce with a focus on relationship-building skills.

In this future scenario, transactional services to customers will be cost-efficient and offer experiential service. Utilizing integrated cloud solutions and various channels will provide a

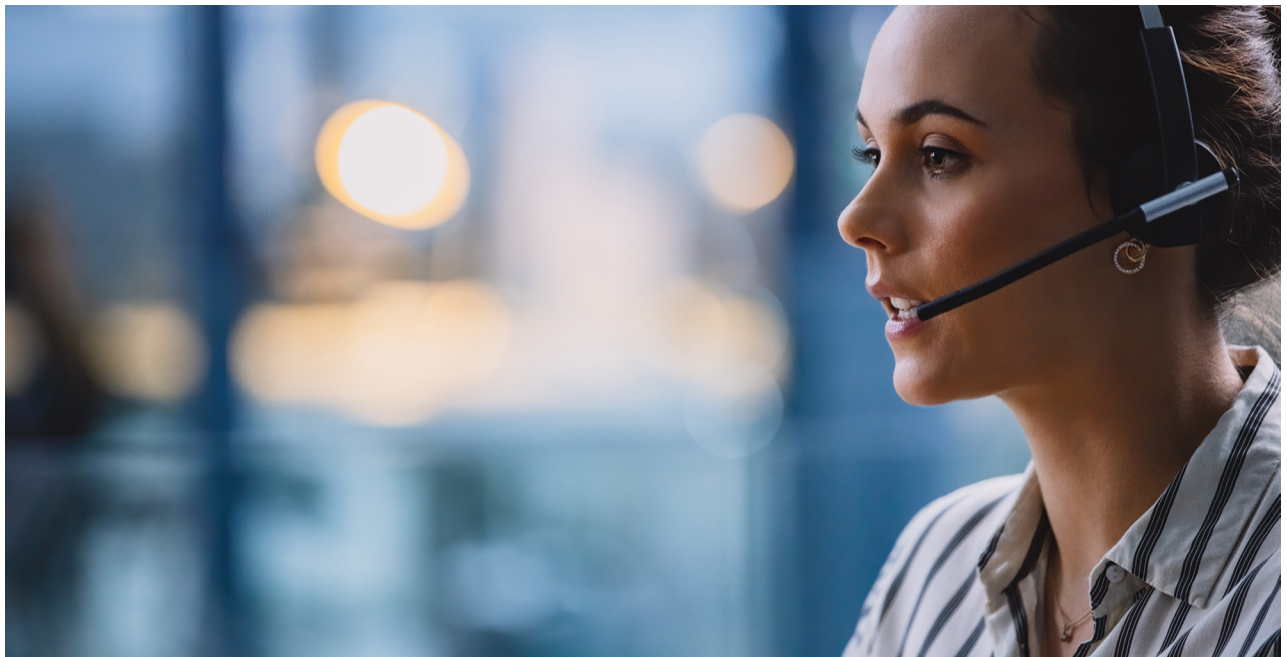
⁸⁸ PwC

⁸⁹ PwC

comprehensive single view of the customer, leading to decentralized decision-making and autonomy within the workforce. This will promote a multiskilled, omni-solution workforce with fewer subject matter expert roles and provide more intimate personal relationships with customers, focusing on the value added to customer interactions and experience.

In this context, the “Digital Jobs Africa” initiative launched by the Rockefeller Foundation is also worth noting, as South Africa actively engaged in this project, emphasizing the importance of preparing the youth with digital skills for the working world. With abundant talent and opportunities in global business services and contact center BPO, South Africa’s contact center outsourcing sector embraced this initiative, highlighting the country’s commitment to digital evolution and social improvement.

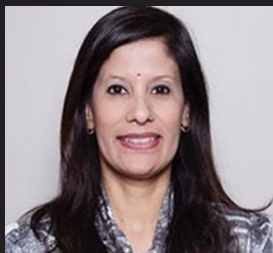
The transformation of contact center agents into proactive customer engagement specialists and the adoption of omnichannel solutions are critical steps in creating more personalized and valuable customer interactions, ultimately leading to enhanced customer experiences and sustained growth in the South African contact center outsourcing market.



The CRM and contact center outsourcing market from the real-world perspective

Building on a strong theoretical foundation, it is imperative to redirect our attention to practical insights for a thorough comprehension of the South African CRM and contact center outsourcing market. To achieve this, experts from BPESA (Business Process Enabling South Africa) and a PwC specialist will provide compelling insights.

Guest post: BPESA



Name: **Reshni Singh**

Position: **CEO**

Company: **BPESA, Business Process Enabling South Africa**



Name: **Traci Freeman**

Position: **Marketing, Research & People Portfolio Executive**

Company: **BPESA, Business Process Enabling South Africa**

Fostering the potential of impact sourcing: the critical role of sustainable leadership

In the context of the African market, a remarkable opportunity and contrast emerges: its most significant potential advantage, a recruitment methodology - impact sourcing, faces both huge potential along with a sector wide challenge - the need to fast track an abundance of entry level skills into permanent leadership roles, thus ensuring continued ability to sustainably grow and support the continued demand and development. This innovative hiring and upskilling approach, which involves employing marginalized groups with high untapped potential in the service sector, promises to help companies bring about significant social change and community economic upliftment through strategic outsourcing. However, one of the biggest hurdles remains the building of a pool of competent leaders who can nurture and develop the workforce in this sector.

Impact sourcing was launched out of South Africa as a global initiative in 2016. The broad intention remains for the Global Business Services sector to create employment opportunities for marginalized individuals – with Africa focusing in on the youth community. The initiative has gained traction among global brands aiming to broaden their reach, expand into untapped service delivery markets and enhance diversity, equity, and inclusion (DEI) while addressing social and governance aspects of Environmental, Social, and Governance (ESG) initiatives. Fuelled by progressive brands imperatives to improve and achieve DEI and ESG goals, businesses increasingly turn to impact sourcing as a strategic means to foster positive social change through outsourced operations in geographies such as Africa, underscoring the vital link between do-good social mandates, sustainable leadership, and significant societal change.

Optimizing talent retention and leadership development strategies in the contact center outsourcing industry

The practice of appointing high-performing agents as team leaders serves as a talent retention strategy. However, this approach can cause suboptimal results when employees are assigned to lead teams that are technically competent but lack basic leadership skills. Inadequate guidance may lead to lower team performance. In addition, this practice prevents potentially outstanding leaders among talented employees from gaining valuable experience in leading teams. Consequently, contact center BPOs should re-evaluate and improve their staffing and development strategies. Recognizing this need, the industry and the government in South Africa have initiated various leadership development programs to address these challenges. These efforts include several programs supported by private and government stakeholders, all aimed at promoting and facilitating the sector's progress and further re-enforcing the alignment across key stakeholders to sustainably grow the South African GBS and BPO sector.

African success in meeting global demand for impact sourcing

The connection between these dynamics and offshore opportunities becomes evident when considering the global demand for outsourcing operators practicing impact sourcing. However, specific terms, conditions, and standards must be met to ensure proper and sustainable implementation. While these standards might initially appear as barriers, Africa has effectively embraced, adhered and improved the practice and methodology, establishing a robust, high quality service delivery framework. Notably, South Africa has gained prominence for its proficiency in undertaking intricate, high-empathy tasks within the impact sourcing sphere. This accomplishment is underscored by a plethora of successful case studies, earning international recognition for transformative achievements.

Evaluation of the CRM and contact center outsourcing market of South Africa

Following a thorough analysis of the South African market, the next phase involves a comprehensive evaluation that covers strengths, weaknesses, potential opportunities, and threats.

Figure 48

SWOT-Analysis of South Africa from a contact center perspective (own illustration)



The South African contact center outsourcing market boasts several strengths contributing to its competitive position. One significant advantage is the strong partnership and alliances that contact center BPO companies have forged with leading digital technology providers such as Microsoft, Cisco, CSC, EMC, SAP, HPE, Oracle, IBM, and Salesforce. These strategic collaborations enable the industry to leverage cutting-edge global expertise, allowing for developing and delivering advanced solutions to the local market. Moreover, the industry showcases diverse services, with inbound and outbound sales dominating, while back-office processing, finance and accounting, HR, legal services, and IT offerings are steadily growing.

There are several opportunities for further growth and differentiation in this dynamic market. Brand visibility plays a vital role, as buyers who rely on an established player may be unwilling to trust smaller, less established companies. Additionally, developments in social networks, mobile, analytics, and cloud technologies allow players in IT-related professional services to offer more differentiated, value-added services, thereby decreasing rivalry.



Despite its strengths and opportunities, the market also faces certain challenges. Notably, higher labor costs compared to countries like China and the Philippines pose a significant obstacle. The labor force's high unionization rate, with approximately 25% of workers being union members, further complicates labor-related matters. Additionally, high-value skills such as those in the IT profession are scarce. Hence, South Africa does not produce enough professionals with the required technical capabilities to fully diversify the contact center BPO service offering locally.

The regulatory environment poses risks, as non-compliance can lead to financial penalties and damage operators' reputation. Adherence to regulations such as the Protection of Personal Information Act (POPIA) and the General Data Protection Regulation (GDPR) requires operators to implement additional processes and raise awareness to achieve compliance. Moreover, the country's world-class ICT infrastructure and relatively low human capital costs make it an attractive market, intensifying competition with global players from the US, UK, and China.

In summary, the strong partnerships and alliances driving meaningful growth in the sector are threatened by the regulatory requirements of POPIA and GDPR. However, with a strong brand in the global market as a location for value-added services, the prospect for growth is still high. To seize opportunities, industry players must maintain a strong understanding of regulations, their impact, and the role of unionization.

Conclusion

With its different languages, economies, and varying levels of maturity of BPO contact centers, Africa has great potential and growth. The South African market is at the forefront and serves as a reference point for the entire continent regarding partnerships, regulations, and operational excellence.

From the companies' as well as agents' perspective, the contact center industry exhibits a commitment to positive experiences and human-centric approaches. Impact sourcing initiatives and focusing on quality engagement with global clients have further enhanced the sector's reputation. However, a notable challenge lies in the scarcity of middle management leadership, prompting the industry to strategize and ensure future resilience.

Despite that, Africa is making impressive strides in the global market and steadily gaining market share. As highlighted in CustomerServ's article, the continent is becoming the next frontier for BPO, with its unique advantages drawing the attention of corporate brands seeking promising outsourcing options.⁹⁰



⁹⁰ Outsourcing to Africa: Top Countries for BPO, CustomerServ

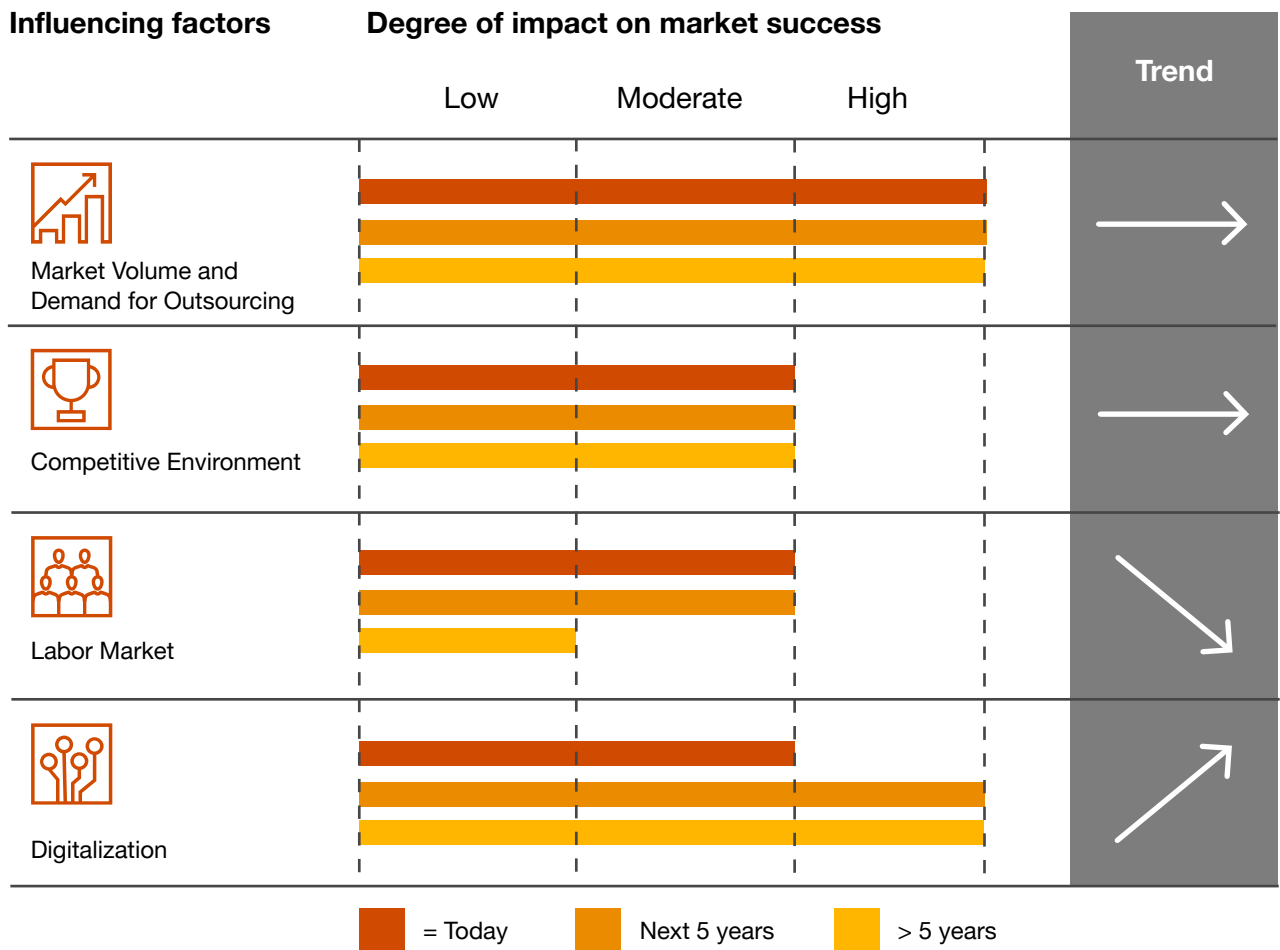
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Key findings and recommendations for future success

5.1 Comparison of the most important information

To make a conclusive statement, the collected data from the previous sections will now be compared. The aim is to assess the influence of four different indicators (market volume, competitive environment, labor market, digitization) on the market success of CRM and contact center BPO providers. This impact will be present over the next five years and beyond. Figure 49 provides valuable insight into this comparative assessment.

Figure 49 Degree and development of the impact on market success and influencing factors (own illustration)



Impact of the market volume and demand for outsourcing on market success

Market volume



The global CRM and contact center outsourcing market has proven to be resilient in times of crisis. Despite the impact of the COVID-19 pandemic, the market retained its volume and experienced growth. This stability was evident in the swift recovery post-pandemic, with supply chains quickly stabilizing and demand remaining consistently high. Moreover, a steady growth trajectory is anticipated for the future. The positive outlook is attributed to the increasing complexity of consumer goods, which drives greater demand for customer support services. As products become more complex, end users often need assistance understanding their features and functionalities. Furthermore, the rise of online retail and digital commerce has created a need for clarification and support from the end consumer. These factors collectively contribute to customer support services' sustained growth and relevance in the CRM and contact center outsourcing market.

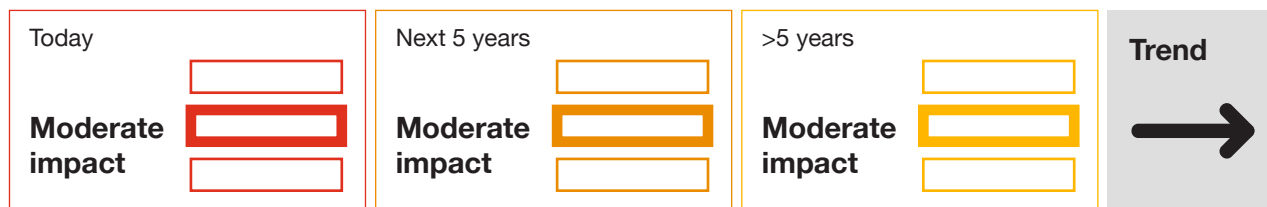
To counter rising costs due to the Russia-Ukraine crisis and the lingering effects of the COVID-19 pandemic, companies must implement cost-saving measures.⁹¹ This will benefit offshore regions with low personnel costs, primarily South Africa and India, which can shine with their multilingual talent pool. However, to what extent North America can be replaced as the largest market is still unclear.

Impact ranking: The positive developments in the outsourcing business compared with the in-house segment significantly impact the market success of contact center operators, as they reflect the potential of providers and thus the opportunity to strengthen their position in the market. As demand for outsourcing increases in the coming years, the impact will remain high in the near and distant future.

⁹¹ Statista

Impact of the competitive environment on market success

Competitive environment



The current competitive situation in the world market is intense. Globally operating companies such as Teleperformance, Concentrix, Conduent or Capita (see page 12) are among the current top players due to their strong market position. Together, they hold a significant share of around 40% and therefore considerably influence market development.

Due to the highly competitive global CRM and contact center market, companies face difficulties in strengthening their position. More and more providers are opting for an inorganic growth strategy to combat the resulting price pressure, often focusing on smaller, digitally savvy companies. The emerging strategic alliances or mergers offer providers the opportunity to better position themselves in the market by addressing the constantly rising customer expectations with simultaneous cost advantages. Since major contact center BPOs mostly initiate these transactions, these companies will gain more and more market share and thus further expand their influence. South Africa is an excellent example: relevant regional operators are forming alliances with top international providers pursuing digital business models.

The current highly competitive market will gain further momentum in the future. One major reason for this is the cost pressure on providers due to the rising inflation and the resulting wage increases. Hence, companies are increasingly forced to outsource their services to low-wage countries such as India or South Africa to counter rising personnel costs and strengthen their competitive position in the market.

Impact ranking: Although the CRM and contact center outsourcing market is highly competitive, this will only have a moderate impact on market success in the near and distant future. This is due to the fact that leading providers are constantly striving to strengthen their position in the market by differentiating themselves, entering into mergers, and expanding their nearshore capacities. In the long term, service providers will expand their 2.0 business and become “tech players” which may increase efficiency and reduce the company’s cost base.

Impact of the labor market on market success

Labor market



The economy faces many disruptive external influences, such as the Russia-Ukraine conflict and the consequences of the COVID-19 pandemic. However, the labor market remains resilient and is expanding globally, which means the demand for agents will continue to grow in the future, as seen in the UK, where the number of contact center agents increased by almost 100% between 2012 and 2022. However, as many industrialized countries such as the UK and Germany face shortages of qualified employees, contact centers may struggle to fill the growing number of vacancies in the long term. This demographic change is mainly caused by the declining birth rate, the trend towards academic degrees and the demand for a continuous learning process to adapt to ongoing changes. In addition, job dissatisfaction is relatively high in the contact center industry, leading to qualified employees exiting the company.

In order to remain successful, it is increasingly necessary to create incentives. This can include appropriate wages, promotions, additional workplace benefits or attractive WFH models. The latter provides many benefits to the employee, such as lower travel costs and more flexibility, making agents more committed to the company. While businesses in India and many parts of Europe have moderate WFH rates, the proportion of employees working remotely is much higher in the United Kingdom, the United States and Canada.

Impact ranking: The influence of the labor market on the market success of contact center operators can be classified as moderate today and in the near future. This is because contact centers counter the agent shortage by relocating their business to low-wage countries such as the Philippines or India. However, in the long term, the impact of service agents and the labor shortage will become less relevant for service providers. This is because contact centers are increasingly automating their processes and replacing many tasks that employees previously performed. As a result, the influence of the labor market on market success will diminish over time.

Impact of digitalization on market success

Digitalization



The digital transformation continues to progress globally and has become particularly intense in the wake of the COVID-19 pandemic, enhancing process efficiency, agent performance, and customer engagement. Hence, contact center BPO operators that have predominantly relied on CRM 1.0 services are increasingly evolving into engagement centers with various CRM 2.0 solutions. Although voice-based contact channels such as the telephone are still the most essential form of communication, digitized solutions, including conversation AI (chatbot, voicebot) are becoming increasingly important. An extreme example is South Africa, where voice

is the most widely used contact channel at 83%. More advanced, however, are regions such as North America or Europe, where the share of telephone as a preferred contact channel lies around 40% to 50%.

Presumably this growth will persist, and digitization will continue to shape customer interactions and experiences positively. This is also in line with increasingly demanding customers, who demand web-based channels, digital interactions, and self-services from service providers.

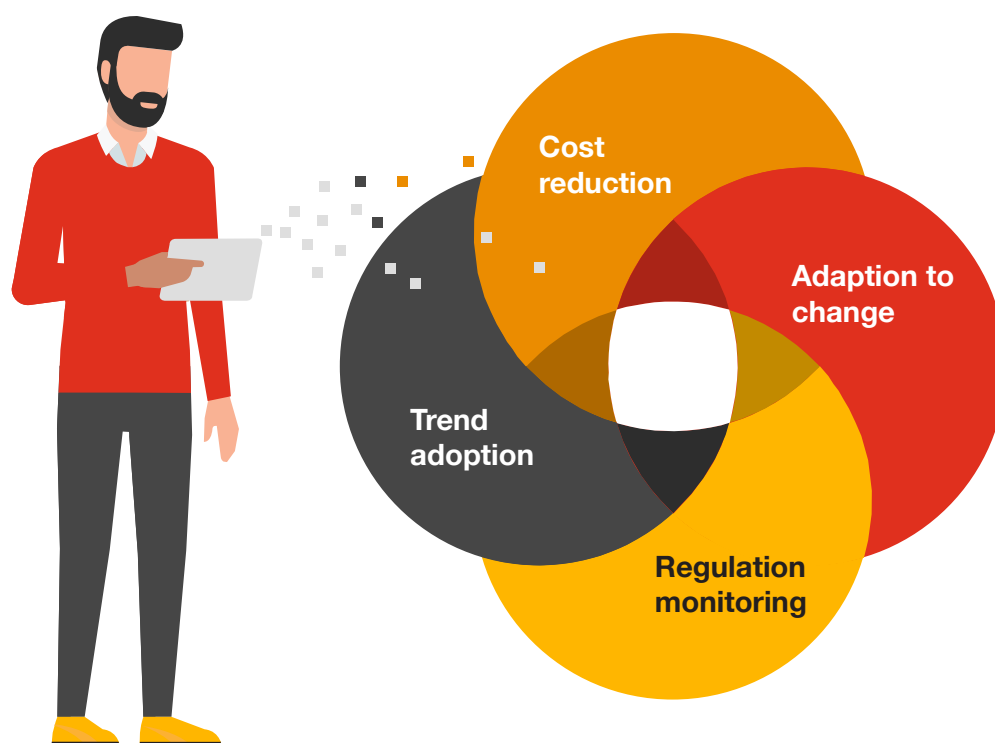
Impact ranking: The current influence of digitization on market success can be classified as moderate, which can be explained by the fact that most providers still rely on traditional, agent-based CRM 1.0 solutions (E-Mail, phone, contact form, etc.). As a result, vendors still need to invest heavily in digital infrastructure, new technologies, and, most importantly, in building new digital competency and readiness. However, as these expenditures are expected to decrease, companies can increasingly benefit from modern technologies in the next five years. Consequently, the impact is projected to shift from moderate to high and is expected to remain at that level, as companies continue to evolve into emerging techs in the long term.

5.2 Market opportunities and recommendations for action

As identified, the CRM and contact center outsourcing market is benefiting from the aftermath of the COVID-19 pandemic and increased demand for online shopping, which has led to increased service volumes. However, given the current geopolitical situation and related inflation, service

Figure 50

Overview of recommendations for action (own illustration)



providers are increasingly forced to optimize their cost-income balance and implement various measures. At the same time, companies risk not recognizing or following current trends quickly enough and weakening their market position. To be successful in the long term and take full advantage of the profitable market, the following recommendations for action should therefore be observed.

Service providers need to reduce their cost base



Reduce office space:

Faced with rising costs, service providers are forced to take countermeasures and reduce expenses. As the number of telecommuters has increased globally in the wake of the COVID-19 pandemic, companies may downsize their office space to save on rent and energy costs. This is especially true for businesses in North America, where a large number of employees continue to work from home after the COVID-19 pandemic has ended.



Relocate business units:

Due to the sharp increase in wages caused by persistent inflation, companies are increasingly forced to relocate their capacities to developing countries. Therefore, it is crucial to determine which nearshore or offshore locations are most suitable for individual purposes. Key decision criteria may be low wages, high qualification levels or language proficiency for European countries.



Increase M&A transactions:

Companies should increasingly consider M&A transactions with other contact center operators. This enables service providers to exploit synergies by joining forces and sharing capacities and resources. As a consequence, redundancies can be eliminated, and costs reduced in a targeted manner.

Companies must adapt to the changes in the working world

The working environment is changing continuously, which is also evident in the CRM and contact center outsourcing sector. One important factor is the increasing number of employees working remotely because of the COVID-19 pandemic. To be successful in the long run, companies must increasingly adapt to this transformation process.



Accept new working models:

Employers increasingly must accept new working models that include the possibility of working from home. As home office leads to increased productivity and motivation of employees, it creates a higher incentive and helps in attracting and retaining contact center agents. This is particularly beneficial in an industry that is characterized by a high churn as well as absenteeism rate.



Adapt onboarding process:

Due to the new working models based on home-based working options, service providers must adapt their onboarding processes to these new circumstances. This ensures that the work performance of contact center agents is not affected in the future.



Rely on modern staffing systems:

Emerging challenges related to short-term or flexible scheduling due to remote working of service center agents require the adaptation of modern human resources systems.



Provide equipment and train your employees:

Additional costs and efforts need to be invested in the provision of technical equipment, workplace controls and compliance with the legal framework. In addition, education and training on the adapted processes and systems must be provided to ensure smooth operation.

Regulations must be increasingly considered by service providers



Avoid data protection breaches:

Especially in Europe, stringent regulations regarding data protection exist, which must be adhered to when working in office or remotely. Accordingly, employers must invest more time and financial resources to follow and monitor compliance with the regulatory requirement. This also includes the need to train agents on the legal environment in order to avoid breaches of data protection regulations.

Contact center operators should follow emerging service trends

The CRM and contact center outsourcing market is characterized by various trends that will sustainably improve the work environment and increase agent satisfaction.

Customers are looking for more personalized service and are placing new demands on customer service. This is also reflected in the growing interest in digital solutions such as chatbots or self-service tools, which eliminate the need for long telephone queues and pose new challenges for contact center operators. Therefore, the study concludes with concrete recommendations for action primarily aimed at service providers and will raise the customer experience and business success to a new level.



Regular polling of customer expectations:

Due to increasing customer expectations and changing requirements, customer needs should be regularly surveyed and analyzed. In this way, changes can be addressed in a targeted manner and customer service can be kept up to date.



Personalized customer contact:

Along with the previous aspect, contact center operators should know their customers and provide them with a personalized experience. Accordingly, customers feel especially well taken care of when agents provide a personalized and individualized service.



Rely on predictive analytics technologies:

Since personalized service requires the identification of customer preferences, contact center operator should increasingly rely on predictive analytics technology that uses new and historical data to predict activities, behaviors, and trends. It relies on statistical analysis techniques, analytical queries, and automated machine learning algorithms to determine the likelihood of a particular event occurring.



Take care of your employee's wellbeing:

The workforce should be managed holistically, and well-being should also be given stronger focus. If the employees are satisfied, this will have a positive effect on customer satisfaction.



Artificial Intelligence remains a success criterion:

Artificial Intelligence will increase companies' efficiency in the long term and optimize customer service sustainably. In order to develop its full potential, AI should be reliable, robust and powerful. Innovative AI based solutions will provide huge benefits to customers and employers (co-piloting, knowledgebase-support etc.). Specifically, agents working across all channels of customer interaction, including after-call work, will benefit dramatically from AI.



Consider omnichannel solutions:

Contact center providers dealing with high contact volumes and providing their customers with a diverse range of services should rely on high-performance systems. These can be set up cost-efficiently via the cloud solutions and are often also worthwhile for small and medium-sized enterprises.



Use automated solutions

Customers increasingly demand 24/7 service, making it necessary for companies to implement self-service solutions, such as chatbots or FAQ. But also, efficiency-enhancing solutions such as IVR or metaverse are more and more in demand and must be therefore considered by service providers.



Rely on RPA:

Some processes cannot be made more efficient, but customer inquiries can be handled faster and with fewer errors using Robotic Process Automation. As the price for these tools is falling, companies tend to increasingly rely on these technologies.

5.3 Final conclusion

The study has revealed the immense growth potential of the CRM and contact center outsourcing market, both presently and in the future, mainly due to the increasingly intricate nature of products and services, which makes it difficult for end-users to understand new products without adequate support and consultation.

Moreover, the market's growth will remain resilient even in the face of crises. This can be attributed to contact centers' ability to adapt to new working models and embrace digitization. Additionally, the expected decrease in the number of crises, including a reduction in inflation, will result in a slightly lower cost base for providers, making it possible to maintain the market's momentum. Despite that, companies will continue to rely on nearshoring and offshoring approaches, where costs remain comparatively low, and a large pool of available workers can be found.

The study also emphasized the crucial role of technological trends in reducing the number of agents required, with AI-based systems automating more repetitive tasks. This will increase efficiency and reduce costs, giving digital pioneers a competitive advantage. Providers should implement the PwC tips provided on page 127 to maintain a competitive edge.

Closing Words

In the world of CRM and contact centers, I strongly believe that finding the right balance between using technology and investing in our human skills is of paramount importance. Today's customers have higher expectations, and unfortunately some have noticed a decline in service quality. Service agents, on the other hand, are feeling the pressure from increasingly impatient clients. Furthermore, we are seeing a strong trend towards GenAI, which is leading to agents interacting more effectively with technology and improving the service experience for everyone. It is high time that we bridge this gap and again deliver the world-class service that customers rightly deserve.

I want to take this moment to express my sincere gratitude to all those who have made a significant contribution to the success of our global study. Our collective efforts and expertise have transformed this study into a valuable resource that will undoubtedly have a positive impact on our understanding of the contact center outsourcing market.

First and foremost, I would like to extend my deepest appreciation to the PwC team in Germany led by Matthias Riveiro, as well as the US, UK, India, Australia, and South Africa. Your international collaboration and unwavering commitment have enabled us to paint a comprehensive picture of the global outsourcing market and your global expertise and in-depth analyses have significantly enhanced the quality of our study.

A heartfelt thank you also goes out to our esteemed partners OTTO, Teleperformance, Sage, HCPC, Tata Cliq, and iEnergizer. Your valuable perspectives from the field have enriched our findings and added depth to our research.

Furthermore, I want to express my gratitude to our leading global business partners including, Microsoft and Parloa for their contributions to addressing the new technical challenges and possibilities in the contact center outsourcing market. Their technological expertise and innovative ideas played a crucial role in making this study more comprehensive and forward-looking.

The collaboration and commitment demonstrated by all involved have undeniably turned this study into a resounding success. I have no doubt that the insights gathered here will assist businesses and industry professionals worldwide in making informed decisions regarding contact center outsourcing.



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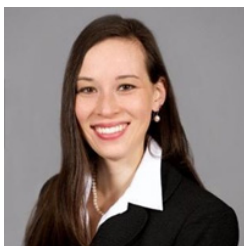
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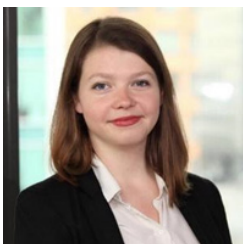
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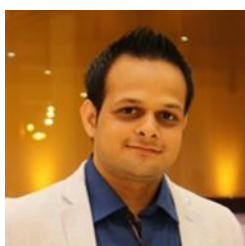
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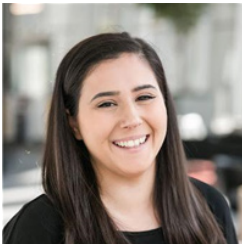
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