Contact Center Outsourcing Annual Report 2018: Transforming Customer Experience through a Digital-First Approach

Customer Experience Management (CXM) Services
Annual Report – September 2018: Complimentary Abstract / Table of Contents

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- Benchmarking | Pricing, delivery model, skill portfolio
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- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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Background and scope of the research

Background of the research

The Contact Center Outsourcing (CCO) market has evolved to include key strategic elements beyond the traditional contact centers such as CX consulting and digital CX services. Despite the ongoing consolidation witnessed in the market with multiple mergers and acquisitions, this expanded scope of services driven by the digital CX needs of enterprises is likely to increase the market attractiveness for not only the incumbent players, but also for new providers with differentiated digital CX capabilities.

The traditional CCO market is expected to grow at a CAGR of ~4-5% to reach US$91-93 billion in 2020. As the adoption of digital CX (projected to grow a CAGR of 20-25%) increases, potential disruptors could emerge in the market challenging the traditional CCO model and differentiators built primarily through labor arbitrage and scale.

In this study, we investigate the state of the CCO market. We focus on:

Evolving buyer expectations in delivering next-generation CX

Market size and growth

Adoption trends by geographies, industries, and processes

Emerging solution trends in CXM services

Future outlook for 2018-2019

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Overview and abbreviated summary of key messages

The global CCO market grew at ~4% in 2017 to reach US$81-83 billion, driven by the growing interest among new buyers for outsourcing and the emerging growth avenues for service providers around consulting and digital CX solutions. Digital CX, which is currently at 4-6% of the overall CCO market, is expected to grow at a CAGR of 20-25% over the next five years. The buyer expectations have evolved as they increasingly look to partner with service providers, who embrace customer-centricity and proactively suggest innovative solutions to transform their CX operations. This has resulted in increased significance of the CXM solution trends such as CX consulting, omnichannel platforms, and digital capabilities such as automation and analytics solutions. This report provides an overview of the CCO market, evolving buyer expectations, market size & adoption trends, key solution characteristics, and outlook for 2018-2019.

Some of the findings in this report, among others, are:

Evolving buyer expectations in CXM

- The evolving CX needs of enterprises include gaining in-depth customer understanding, sourcing the relevant technology capabilities to deliver personalized CX, and building highly-qualified talent pool for managing CX

- The digital outsourcing drivers for enterprises such as access to better technology, analytics, and multi-channel / omnichannel solutions are increasingly becoming more important than the traditional outsourcing drivers

CCO market overview

- The global CCO market grew at ~4% in 2017 to reach US$81-83 billion, driven by the growing interest among new buyers for outsourcing and emerging growth avenues for service providers around consulting and digital CX

- The global CCO market has reached an inflection point, where two business models have clearly emerged – scale-first CCO and digital-first CCO

CCO market adoption trends

- North America experienced flat growth in 2017, while Asia Pacific was the fastest growing geography with around 10-12% growth rate in 2017. Latin America grew at an above-average market growth rate (5-8%)

- BFSI, retail, and travel experienced high growth in 2017. The growth in BFSI was mainly due to the shifting focus of enterprises to digitally transform their CX operations and deliver other value-added services

Emerging solution trends in CXM services

- Consultative engagement models are increasingly preferred by buyers, as they look up to their service providers to support their ongoing efforts for digital transformation

- Chat and social media have grown at a higher rate in the past two years due to the increased demand for conversational commerce through chat channel and improving customer retention through social media

- RPA and rule-based chatbots have been majorly adopted across many use cases in contact centers so far, and effective implementation of these solutions can reduce Average Handle Time (AHT), call waiting times, and increase customer satisfaction

- Operational analytics solutions such as desktop analytics and agent performance analytics are widely adopted in contact centers. Adoption of business analytics solutions is expected to increase over the next few years

- The adoption of outcome-based pricing models has been quite slow, despite growing interest among enterprises, due to challenges in defining, monitoring, and managing measurable outcomes

This study offers four distinct chapters providing a deep dive into key aspects of CCO market; below are four charts to illustrate the depth of the report
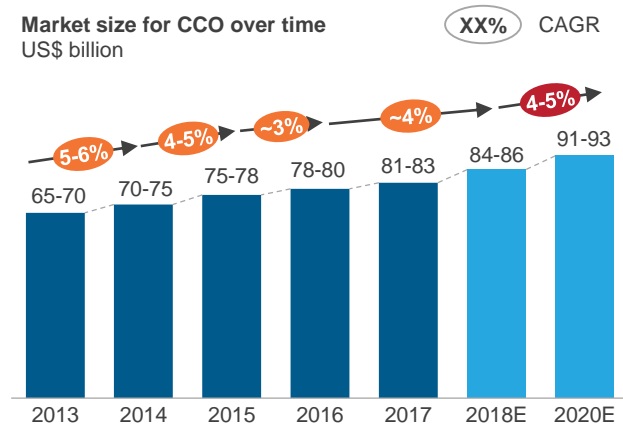
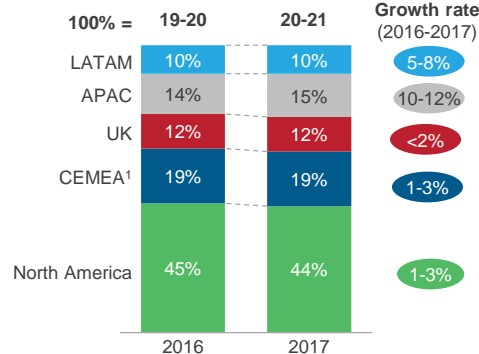## Evolving buyer expectations to deliver next-generation CX

Drivers of change

- Well-informed and empowered customers demand personalized experience and support
- Technology advancements enable enterprises to fundamentally transform their operations and develop innovative products/services
- Emergence of disruptive business models force enterprises to rethink their approach to manage CX

Evolving enterprise CX needs

- Gain in-depth understanding of customer needs and preferences
- Deliver proactive and personalized customer support
- Source best-in-class technology solutions to enhance operational efficiency
- Acquire, develop, and retain high-quality talent
- Align organizational culture with CX vision to drive co-innovation

CCO market overview

Market size for CCO over time
US$ billion

XX% CAGR

Year	Market size
2013	65-70
2014	70-75
2015	75-78
2016	78-80
2017	81-83
2018E	84-86
2020E	91-93

Growth rates: 5-6%, 4-5%, ~3%, ~4%, 4-5%

CCO market adoption trends

CCO revenue by signing region over time (both new deals and renewals)
US$ billion

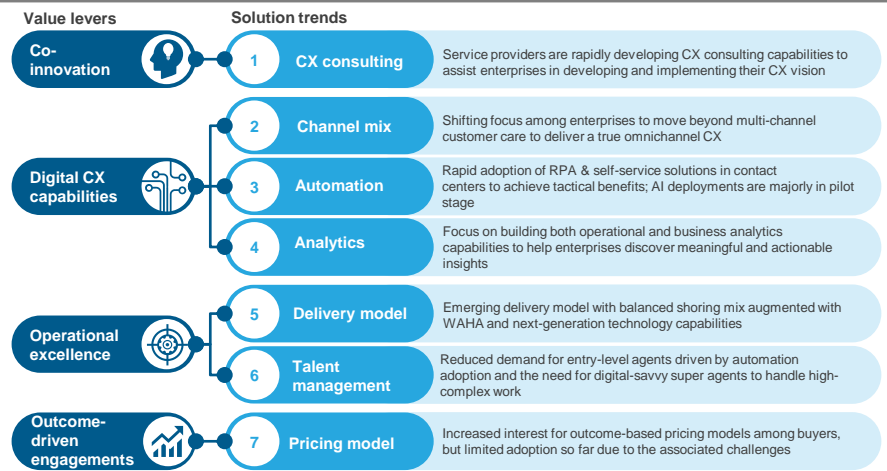| 100% =	19-20	20-21	Growth rate (2016-2017)
LATAM	10%	10%	5-8%
APAC	14%	15%	10-12%
UK	12%	12%	<2%
CEMEA[1]	19%	19%	1-3%
North America	45%	44%	1-3%

Years: 2016, 2017

1 Continental Europe, Middle East, and Africa
Note: Based on the capability assessment of 35+ service providers (refer to page 7 for a complete list)
Source: Everest Group (2018)

Emerging solution trends in CXM services

Value levers — **Solution trends**

Co-innovation
1. **CX consulting** — Service providers are rapidly developing CX consulting capabilities to assist enterprises in developing and implementing their CX vision

Digital CX capabilities
2. **Channel mix** — Shifting focus among enterprises to move beyond multi-channel customer care to deliver a true omnichannel CX
3. **Automation** — Rapid adoption of RPA & self-service solutions in contact centers to achieve tactical benefits; AI deployments are majorly in pilot stage
4. **Analytics** — Focus on building both operational and business analytics capabilities to help enterprises discover meaningful and actionable insights

Operational excellence
5. **Delivery model** — Emerging delivery model with balanced shoring mix augmented with WAHA and next-generation technology capabilities
6. **Talent management** — Reduced demand for entry-level agents driven by automation adoption and the need for digital-savvy super agents to handle high-complex work

Outcome-driven engagements
7. **Pricing model** — Increased interest for outcome-based pricing models among buyers, but limited adoption so far due to the associated challenges

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Research calendar – Customer Experience Management (CXM) Services

	Published		Planned		Current release

Flagship CXM Services reports	Release date
Contact Center Outsourcing (CCO) – Service Provider Profile Compendium 2017	July 2017
Contact Center Outsourcing (CCO) – Annual Report 2017	August 2017
Contact Center Outsourcing (CCO) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018	June 2018
Contact Center Outsourcing (CCO) – Service Provider Profile Compendium 2018	August 2018
Contact Center Outsourcing Annual Report 2018: Transforming Customer Experience through a Digital-First Approach	**September 2018**

Thematic CXM Services reports	
Delivering Omnichannel Customer Experience	September 2017
How Good are CCO Providers in Providing Digital Customer Experience – Buyers' Perspective	September 2017
The Philippines Pivoting to Deliver Customer Experience of the Future	October 2017
Chatbots Delivering Enhanced Customer Experience: It is Easy to Get it Wrong	October 2017
The Business Case for RPA and Chatbots in Contact Centers	December 2017
The Evolving Customer Experience Management (CXM) Talent Model: The Rise of the Super Agent	March 2018
Role of AI and Cognitive in Delivering Customer Experience of the Future	March 2018
Contact Center Services for the U.S. Market: Location Strategies for the Digital World	March 2018
Digital Contact Center Overview	Q3 2018
Market Report on Chatbots/Intelligent Virtual Agents (IVAs)	Q4 2018

Note: For a list of all CXM reports published by us, please refer to our website page

Additional CXM Services research references

The following documents are recommended for additional insight into the topic covered in this report. These documents either provide additional details or complementary content that may be of interest

1. **Contact Center Outsourcing (CCO) – Service Provider Landscape with PEAK Matrix™ Assessment 2018** (EGR-2018-21-R-2645); 2018. This report examines the global Contact Center Outsourcing (CCO) market and evaluates the positioning of service providers on the Everest Group PEAK Matrix. It provides insights on the changing market dynamics, service provider delivery capabilities, and Everest Group's remarks on service providers' key strengths and areas of improvement

2. **Role of Artificial Intelligence (AI) and Cognitive Solutions in Delivering Customer Experience of the Future** (EGR-2018-21-R-2565); 2018. This report aims to provide detailed insights into the role of Artificial Intelligence (AI) and cognitive solutions in delivering customer experience of the future. It covers use cases where firms can leverage AI to drive automation in Customer Experience Management (CXM). It also includes case studies elucidating scenarios of AI implementation in CXM

3. **The Evolving Customer Experience Management (CXM) Talent Model: The Rise of the Super Agent** (EGR-2018-21-R-2579); 2018. This report aims to provide an understanding of the impact of digital shift on the CXM talent model. It covers the evolution of CXM delivery pyramid due to increasing digitization of simpler and repetitive transactional tasks. It also covers the drivers behind this change and the impact of this shift on the key attributes of the talent model including agent profile & skillset requirement, shoring mix, recruitment & L&D processes, and KPIs

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About Everest Group

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