Dynamics of Contact Center Outsourcing (CCO) in Asia Pacific (APAC): Special Focus on China

Contact Center Outsourcing

Market Report – March 2017 – Preview Deck

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Custom research capabilities

● Benchmarking | Pricing, delivery model, skill portfolio

● Peer analysis | Scope, sourcing models, locations

● Locations | Cost, skills, sustainability, portfolio – plus a tracking tool

● Tracking services | Service providers, locations, risk

● Other | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

● The full report is included in the following subscription(s)
  – **Contact Center Outsourcing (CCO)**
● In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
● **If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us**

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Background and scope of the research

Background of the research

Increasing focus on customer experience is driving firms across APAC to outsource contact center services to leverage service provider capabilities. With increase in internet penetration and smartphone adoption, non-voice channels such as chat and social media are picking up pace; this is driving firms to go for multi-channel solutions. China is among the faster-growing CCO markets in the APAC region. With an increase in consumption of services by an already huge population base and rapid expansion of MNC buyers across the region, the demand for contact center services is high and CCO market is expected to grow at 15-17% from 2016-2018 to reach US$2.7-2.9 billion in 2018.

In this research, we analyse the CCO market across several dimensions:
- APAC market overview and buyer adoption trends
- Solution characteristics
- Key source geographies – Focus on China

The scope of analyses includes:
- Database of 2500+ CCO contracts; it does not include shared services or Global In-House centers (GICs)
- Coverage across 30+ CCO service providers including, Aegis, Alorica, Arvato, Atento, CGI, Concentrix, Conduit Global, Conduent, Contax, Convergys, EXL, Firstsource, Genpact, HCL, Hexaware, HGS, HPE, Infosys, Intelenet, Knoah Solutions, NTT Data, Sitel, Sutherland Global Services, Sykes, TCS, Tech Mahindra, Teleperformance, TeleTech, Transcom Worldwide, Transcosmos, VXI, Wipro, Webhelp, and WNS

Overview and abbreviated summary of key messages

This report provides an overview of Contact Center Outsourcing (CCO) for the APAC market. The analysis includes market size and growth, buyer adoption trends, solution characteristics, and detailed assessment of China CCO market

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

APAC CCO market size and buyer adoption trends	• The APAC CCO market grew at CAGR of 10-12% from 2012-2016 to reach US$10-11 billion in 2016, driven by increased openness of domestic firms to outsource contact center services and high outsourcing receptiveness of MNC buyers that have recently expanded into the APAC region • Market growth is driven by travel & hospitality and healthcare verticals • Small- and mid-sized buyers drive maximum revenue whereas share of CCO adoption of large-sized buyers is expected to increase in the future
Solution characteristics	• The share of renewals/extensions is increasing over the years, as CCO adoption for buyers across the APAC region is maturing • This growing maturity of buyers is driving a shift towards inclusion of more sophisticated pricing structures such as transaction- and outcome-based pricing model • Increasing digital readiness of customers is driving buyers to incorporate multi-channel solutions and value added services in their contracts to enhance customer experience • While the share of voice channel is still high in the APAC region due to the adoption of CCO by first-time buyers; new channels, such as social media and chat, are witnessing high growth
China CCO market	• The China CCO market is expected to grow at a CAGR of 15-17% till 2018 to reach US$2.7-2.9 billion • Local players account for a large share of the CCO market as they primarily cater to a large pool of domestic players. Global players cater to a small pool of MNC buyers, but their share is expected to increase in the future with increase in the presence of MNC buyers across China

Everest Group's CCO research is based on multiple sources of proprietary information (page 1 of 2)

1 Proprietary database of **2,500+ CCO contracts** (updated annually)
- The database tracks the following elements of each CCO contract:
  - Buyer details including industry, size, and signing region
  - Contract details including Total Contract Value (TCV), Annualized Contract Value (ACV), term, start date, service provider FTEs, and pricing structure
  - Scope including buyer geography and functional activities
  - Technology including Customer Relationship Management (CRM) technology, communication technology, and enabler technology ownership & maintenance
  - Global sourcing including delivery locations and level of offshoring

2 Proprietary database of **operational capability of 30+ CCO service providers** (updated annually)
- The database tracks the following capability elements for each service provider
  - Key leaders
  - Major CCO clients and recent wins
  - Overall revenue, total FTEs, and contact center employees
  - Recent contact center-related developments
  - CCO revenue split by geography, industry, and client size
  - CCO delivery locations
  - CCO service suite
  - Contact center-related technology capabilities

Illustrative list of service providers covered in CCO research

AEGIS · alorica · arvato BERTELSMANN · ATENTO:
CGI · CONCENTRIX · CONDUIT GLOBAL · CONDUENT
contax contact center · CONVERGYS Outthinking Outdoing · EXL · firstsource
GENPACT · HCL · HGS · Hexaware TECHNOLOGIES
Hewlett Packard Enterprise · Infosys · intelenet IMPACT your world · Knoah
NTT DATA · SITEL · SUTHERLAND GLOBAL SERVICES · SYKES
TATA CONSULTANCY SERVICES · Tech Mahindra · Teleperformance
TeleTech · Transcom · transcosmos
VXi · WIPRO · webhelp · WNS

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any contract-specific information we collect, will only be presented back to the industry in an aggregated fashion

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Everest Group's CCO research is based on multiple sources of proprietary information (page 2 of 2)

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Annual buyer surveys and interactions

Global surveys and one-on-one executive-level interviews are undertaken annually with roughly **80-100 organizations** to understand how buyers perceive the performance of their CCO providers. The surveys/interviews focus on different aspects of an outsourcing relationship including:

- Key drivers for outsourcing CCO
- Contract details (including process scope, year of signing, and duration)
- Overall performance of the service provider including key strengths and improvement areas
- Detailed assessment of service provider performance across different elements such as:
  – Key CCO metrics
  – Various contact center processes
  – Implementation and transition phases
  – Governance and relationship management

Illustrative list of buyers' feedback included in our research

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We break each element into subprocesses of the customer interaction value chain

Strategy (in-house)
- Contact center sourcing strategy
- Alignment of contact center strategy with corporate strategy

Channel management
- Channel mix
- Customer data integration and analysis
- Contact handling and routing

Customer analytics
- Customer profiling and segmentation
- Big data / social media monitoring and analysis
- Customer satisfaction tracking

Customer interaction technology
- Technology adoption strategy
- Solution hosting, maintenance, and support

Strategy
Value-added services
Operational services

Pyramid (top to bottom):
- Strategy
- Channel management
- Customer analytics
- Customer retention management
- Performance management & reporting
- Outbound sales services
- Inbound sales services
- Order fulfillment and transaction processing
- Payment collections
- Customer service
- Customer interaction technology

Customer retention management
- Customer lifecycle management
- Customer experience management
- Loyalty programs

Performance management & reporting
- Service Level Agreement (SLA) adherence
- Key performance metrics
- Performance optimization
- Operational and management reporting

Outbound sales services
- Outbound sales
  - Telesales
  - Telemarketing
- Data management
  - Data collection
  - Data cleansing and refreshing

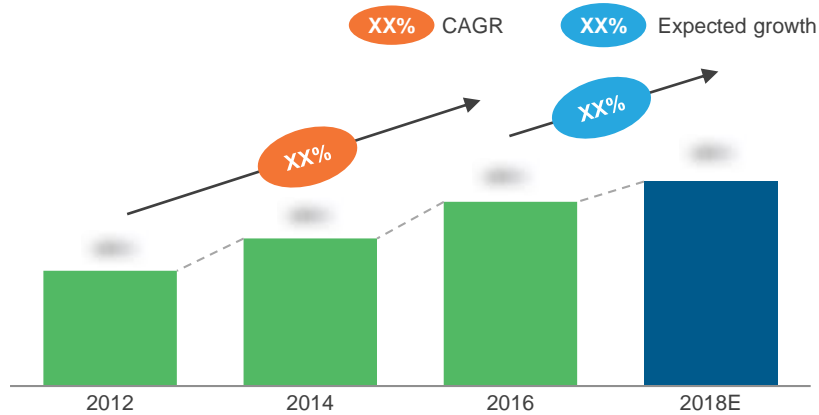**Inbound sales services**
- Inbound sales
- Cross- / up-selling

Order fulfillment and transaction processing
- Order management
  - Order validation
  - Order entry
  - Order processing
- Order amendment / exception handling
- Product activation
- Return/refund/rebate processing
- Billing and delivery queries

Payment collections
- Early-stage collections
  - Channel identification
  - Customer loyalty maintenance
- Late-stage collections
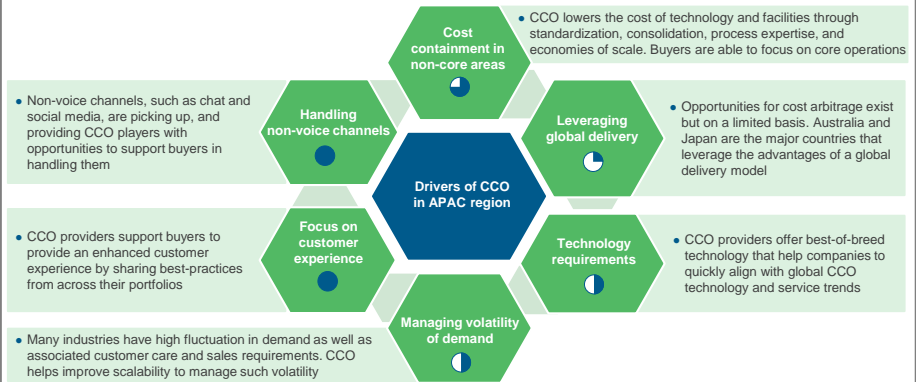 - Customer-at-risk analysis
  - Customized treatment plan

Customer service
- Outbound service
  - Query resolution / call-backs
- Inbound service
  - Technology support / helpdesk
  - Service support
  - Complaint handling
  - Call escalation
- General query handling
  - Schedule-related enquiries
  - General product or service information requests

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This study offers understanding of APAC CCO market with a deep dive into the attractiveness of China CCO market; below are four charts to illustrate the depth of the report
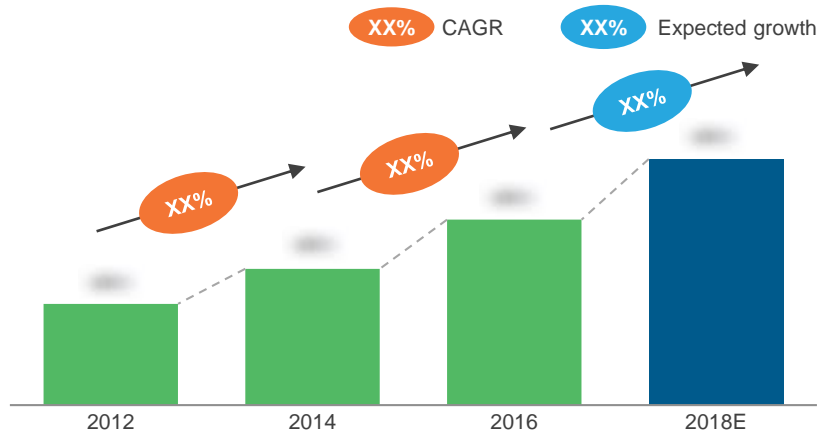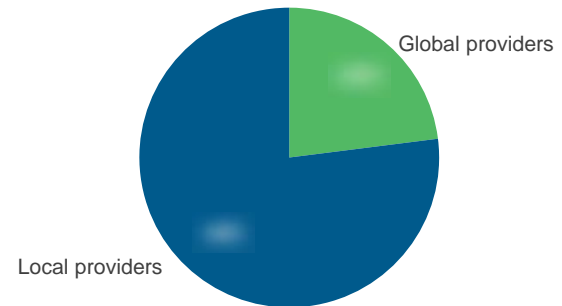
Market size for CCO over time

XX% CAGR   XX% Expected growth

XX%

XX%

2012   2014   2016   2018E

Drivers of CCO adoption in APAC

- Non-voice channels, such as chat and social media, are picking up, and providing CCO players with opportunities to support buyers in handling them

- CCO lowers the cost of technology and facilities through standardization, consolidation, process expertise, and economies of scale. Buyers are able to focus on core operations

- Opportunities for cost arbitrage exist but on a limited basis. Australia and Japan are the major countries that leverage the advantages of a global delivery model

- CCO providers support buyers to provide an enhanced customer experience by sharing best-practices from across their portfolios

- CCO providers offer best-of-breed technology that help companies to quickly align with global CCO technology and service trends

- Many industries have high fluctuation in demand as well as associated customer care and sales requirements. CCO helps improve scalability to manage such volatility

Cost containment in non-core areas

Handling non-voice channels

Leveraging global delivery

Drivers of CCO in APAC region

Focus on customer experience

Technology requirements

Managing volatility of demand

Market size of CCO in China over time

XX% CAGR   XX% Expected growth

XX%   XX%   XX%

2012   2014   2016   2018E

Service provider landscape

CCO service provider FTE share
2016; Number of FTEs in '000s

100% =

Global providers

Local providers

Source: Everest Group (2017)

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CCO research calendar

Topic	Release date
Legend: Published (blue) / Current (green)	

Topic	Release date
Contact Center Outsourcing (CCO) – Service Provider Compendium 2016	August 2016
Automation: The Next Big Disruptor in Contact Center Outsourcing (CCO)	November 2016
Contact Center Outsourcing (CCO) Market for the Healthcare Industry – SPL with PEAK Matrix™ Assessment 2017	January 2017
Dynamics of Contact Center Outsourcing (CCO) in Asia Pacific (APAC): Special Focus on China	March 2017
Contact Center Outsourcing (CCO) – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q2 2017
UK CCO market & impact of Brexit	Q2 2017
SDA in Business Process Services (BPS) – Service Provider Landscape	Q2 2017
SDA in BPS - Service Provider Profile Compendium 2017	Q2 2017
Analytics BPS – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q2 2017
Analytics BPS – Annual Report 2017	Q2 2017
Contact Center Outsourcing (CCO) – Annual Report 2017	Q3 2017
Contact Center Outsourcing (CCO) – Service Provider Profile Compendium 2017	Q3 2017
Technology in BPS – Annual report 2017	Q3 2017
Technology in BPS – Service Provider Compendium 2017	Q3 2017
Analytics BPS – Service Provider Profile Compendium 2017	Q3 2017
Automation in CCO: Assessing the Business Impact	Q4 2017

Additional CCO 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) Market for the Healthcare Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2017** (EGR-2017-1-R-2075); 2017. This report provides an overview of the CCO market for the healthcare industry. It provides insights into market size & growth, buyer adoption & scope trends, service provider landscape, service provider positioning on the Everest Group PEAK Matrix, and an assessment of the service provider delivery capabilities

2. **Automation: The Next Big Disruptor in Contact Center Outsourcing (CCO)** (EGR-2016-1-V-1988); 2016. Automation is emerging as one of the disruptive forces in the CCO market, which is set to change the operating models of key stakeholders in the industry. This study draws insights from Everest Group's existing research and combines them with recent service provider and buyer interactions to deep dive into automation adoption in CCO, analysing the current scenario and implications for stakeholders

3. **Contact Center Outsourcing Annual Report 2016: The Rise of Digital Contact Centers – Clear Evidence that Real Change is Underway** (EGR-2016-1-R-1823); 2016. The CCO market grew at ~4% in 2015 to reach US$75-78 billion. This report provides an overview of the CCO market, including market size & adoption trends, key solution characteristics, service provider landscape, and areas of service provider investment

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