Navigating Macroeconomic Turbulence and Generative AI Advances: Customer Experience Management (CXM) State of the Market 2024

November 2024: Complimentary Abstract / Table of Contents

State of the Market Report
Customer Experience Management Services

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Contents

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Contents

Introduction

The post-pandemic business landscape, marked by economic slowdowns, geopolitical uncertainties, and persistent macroeconomic challenges, has created a complex environment for organizations across industries. These disruptions have reverberated through the CXM market, leading to subdued growth in traditional CXM outsourcing. However, enterprises are increasingly turning to service providers for digital CXM services, with a strong focus on digital transformation and the integration of generative AI (gen AI) technologies. This evolution is evidenced by the rapid progression of gen AI pilot programs into full-scale implementations, as enterprises recognize AI's ability to transform customer interactions, enhance personalization, and drive both operational efficiencies and customer satisfaction.

This report presents a comprehensive analysis of the outsourced CXM market, with a focus on adoption trends, including regional and industry-specific developments. It examines evolving enterprise priorities, decision-making processes, the current competitive landscape, and buyer satisfaction levels with CXM service providers.

Additionally, the report offers an in-depth evaluation of the digital CXM market, highlighting the current state of gen AI adoption and identifying key investment themes for service providers. It concludes with a forward-looking outlook, detailing emerging trends set to significantly shape the future of the CXM outsourcing ecosystem. We focus on:

- Enterprise evolving CXM priorities and decision-making
- Buyer satisfaction overview
- Global CXM market adoption trends
- Regional CXM outsourcing market overview – Americas, EMEA, and APAC
- Outsourced digital CXM market trends
- Current state of gen AI adoption
- CXM service competitive landscape
- Major trends shaping the future of CXM outsourcing

Scope of this report

Geography: Global

Industry: All

Services: CXM services

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Overview and abbreviated summary of key messages (page 1 of 2)

Overview

The post-pandemic business environment, marked by economic challenges and geopolitical uncertainties, has slowed traditional CXM outsourcing growth. However, organizations are increasingly embracing digital CXM services, focusing on digital transformation and adopting generative AI (gen AI) technologies. Enterprises are rapidly moving from AI pilot programs to full-scale implementations, recognizing AI's potential to enhance customer interactions, personalization, efficiency, and satisfaction.

This report analyzes the outsourced CXM market, covering adoption trends, regional and industry developments, enterprise priorities, decision-making, and service provider performance. It also provides insights into the digital CXM landscape, the progress of gen AI adoption, key investment themes, and emerging trends shaping the future of CXM outsourcing.

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

Evolving enterprise priorities and perspective of the market

- The contact center infrastructure has evolved from on-premise, voice-centric models to cloud-based, AI-powered, omni-channel platforms, incorporating flexible plug-and-play solutions to optimize efficiency and elevate Customer Experience (CX) and Employee Experience (EX)

- Enterprise expectations for CXM providers have shifted from focusing solely on delivery footprint and flexibility to also encompassing innovation, technology support, and superior CX

- While buyers are satisfied with CXM providers across most dimensions, some providers have demonstrated a clear competitive advantage across areas such as technology capabilities, skilled talent availability, and Business Continuity Planning (BCP) / risk mitigation strategies

- Gen AI stands at the forefront of planned digital CX investments for CXM stakeholders over the next 12-18 months, with a majority of enterprises considering either outsourcing or adopting a hybrid approach to implement the planned technologies

Global market trends

- The outsourced CXM market faced stagnation due to cost pressures, driven by complex macroeconomic factors and uncertainties surrounding the adoption and impact of gen AI. In 2023, the market growth dropped to the levels of 1-3%, going down to US$112-114 billion

- Telecom and media, technology and FGT, and BFSI industries experienced a significant slowdown in CXM outsourcing spend; while healthcare, energy and utilities, and manufacturing saw resilient growth in 2023

- The demand for payment collections and services such as CX consulting and UX/UI design has experienced significant growth, while sales services faced subdued demand in 2023. However, it has begun to show signs of recovery in 2024

- The demand for offshore locations increased significantly in 2023 as enterprises aim to mitigate cost pressures

- In 2023, fully in-center service delivery models saw considerable growth as enterprises placed greater emphasis on on-site operations for data security, privacy, and consistent delivery with quality control

Overview and abbreviated summary of key messages (page 2 of 2)

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

Regional trends

- CXM outsourcing spend across the Americas reached US$55-57 billion in 2023, with a flat growth of 1-3%
- While EMEA accounted for 34% of the global outsourced CXM market, APAC held a market share of 16%
- APAC and EMEA grew at a faster rate of 3-5% as compared to the overall outsourced CXM market growth of 1-3%
- The APAC region reported higher average annual attrition rates compared to EMEA and the Americas, while Western Europe experienced the lowest attrition rate of 7-9 % globally

Digital CXM and adoption of gen AI solutions

- Despite the sluggishness in the overall outsourced CXM market, digital CXM experienced strong growth of 10-12% with gen AI pilots and implementation gaining traction
- Managed service deals account for ~55% of the outsourced digital CXM deals, while CX consulting and implementation deals have experienced the strongest growth
- In 2023, 3-5% of clients already have gen AI inthe production phase for CXM operations. Moving forward, the market is expected to see significant growth as pilot programs mature and enterprises increasingly realize the RoI generated by gen AI-driven solutions
- Gen AI use cases such as post-call automation, agent training, and knowledge management are progressing at the fastest pace, followed by translation, self-service solutions, and agent assist technologies

Competitive landscape

- Large CXM providers, which account for around 35% of the market share, have shown moderate growth while IT-BPOs and pure-play BPOs are experiencing the highest growth as they are being perceived as the pioneers in digital transformation and in the adoption of next-generation technologies
- The CXM service provider market is experiencing market consolidation with the top 15 providers accounting for ~40% of the outsourced CXM market
- To support enterprises in scaling up and staying competitive, providers are investing in advanced technologies, forming strategic partnerships, and broadening their service offerings by expanding into the adjacent service lines
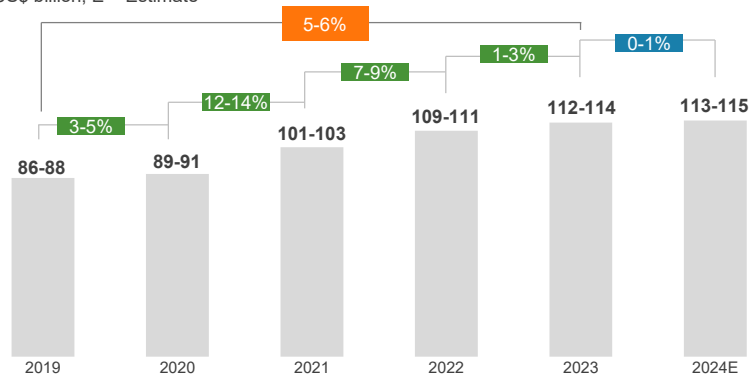
Future outlook

- Gen AI is central to enterprises' efficiency and cost reduction efforts, prompting many CXM providers to invest heavily in AI technologies to enhance their strategies and deliver personalized services to a digital-savvy customer base
- The CXM market has witnessed a reduction in headcount for new deals being signed in recent years for the same volume of work, fueled by advancements in digital CX tools and technologies, and the emergence of gen AI is anticipated to accelerate this decline even further
- The current contact center agent persona is anticipated to evolve to be more technically proficient, and handle complex issues with advanced AI tools as more digital solutions are adopted

This study offers nine distinct chapters providing a deep dive into key aspects of the CXM market; below are four charts to illustrate the depth of the report
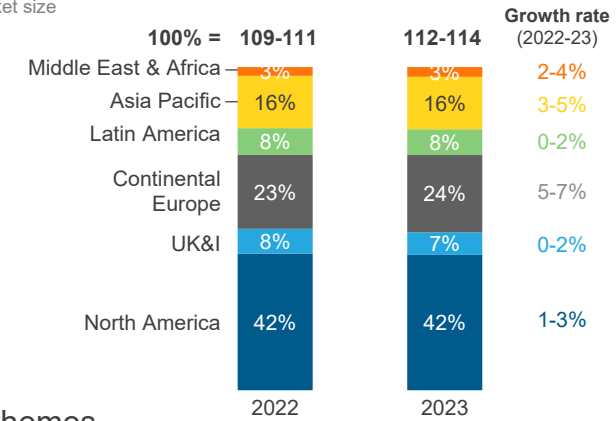
CXM market overview

Outsourced CXM market size and growth
2019-24E; revenue in US$ billion; E = Estimate

Values shown: 86-88 (2019), 89-91 (2020), 101-103 (2021), 109-111 (2022), 112-114 (2023), 113-115 (2024E)

Growth: 3-5%, 12-14%, 7-9%, 5-6%, 1-3%, 0-1%

CXM regional market overview

Outsourced CXM market size by region
2022-23; percentage of market size

100% =	109-111 (2022)	112-114 (2023)	Growth rate (2022-23)
Middle East & Africa	3%	3%	2-4%
Asia Pacific	16%	16%	3-5%
Latin America	8%	8%	0-2%
Continental Europe	23%	24%	5-7%
UK&I	8%	7%	0-2%
North America	42%	42%	1-3%

Provider landscape

	CXM titans	Large CXM providers	IT-BPOs / Pure-play BPOs	Industry focused	Other CXM providers
Major players	Provider 1 Provider 2 Provider 3	Provider 4 Provider 5 Provider 6	Provider 7 Provider 8 Provider 9	Provider 10 Provider 11 Provider 12	Provider 13 Provider 14 Provider 15
Market share in 2022-23	16-18%	16-18%	20-22%	15-17%	28-30%
Organic growth rate in 2022-23	0-2%	2-4%	7-9%	(-1)-1%	1-3%
Estimated organic growth rate in 2023-24	0-2%	(-)2-0%	5-7%	3-5%	(-)2-0%

Key investment themes

Investment areas	Key trends	Illustrative examples
XYZ Expanding operations through XYZs, targeting providers with XYZ to access XYZ.	Traditional CXM-specific providers are increasingly engaging in XYZ for XYZ while IT-BPOs and digitally native providers are primarily concentrating on enhancing XYZ.	• XYZ acquired XYZ in XYZ to expand operations in the French market • XYZ acquisition of XYZ boosts the company's presence in XYZ and marks its entry into the growing XYZ market
XYZ Harnessing XYZ, investing in emerging technologies such as gen AI and LLMs, and crafting industry-specific solutions through pre-trained AI modules and RPA components.	Providers are progressively investing in the XYZ, primarily for enhancing XYZ capabilities.	XYZ developed XYZ which consists of a range of capabilities such as AI Coach for agent training, AI Assist for real time agent assist, and GPT for knowledge management capabilities

Research calendar
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Published   Current release   Planned

Reports title	Release date
Customer Experience Management (CXM) Services PEAK Matrix® Assessment 2024 – Americas	August 2024
Customer Experience Management (CXM) Services PEAK Matrix® Assessment 2024 – APAC	September 2024
Customer Experience Management (CXM) Services PEAK Matrix® Assessment 2024 – EMEA	September 2024
Conversational AI (CAI) State of the Market Report 2024	October 2024
Conversational AI (CAI) – Provider Compendium 2024	October 2024
Contact Center-as-a-Service (CCaaS) PEAK Matrix® Assessment 2024	October 2024
Customer Experience Management (CXM) Services in the Americas – Provider Compendium 2024	November 2024
Contact Center-as-a-Service (CCaaS) – Provider Compendium 2024	November 2024
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Tech Vendor Spotlight: Language Translation in CXM	Q4 2024
Customer Experience Management (CXM) Services in the EMEA – Provider Compendium 2024	Q4 2024
Customer Experience Management (CXM) Services in the APAC – Provider Compendium 2024	Q4 2024
Sales Services PEAK Matrix® Assessment 2024	Q4 2024
Accent Neutralization: Transforming Customer Interactions	Q1 2025
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