Europe Customer Experience (CX) Outsourcing Market, Forecast to 2025

AI and Digital Technologies Drive Transformation Growth

9A5C-76

FROST & SULLIVAN

Study Description & Research Methodology

Study Description

- This study examines the trends in the European customer experience outsourcing (CXO) services market and forecasts market size. It shows data for outsourcing services alone; in-house operations and shared services centers are excluded.
- Market revenue represents the outsourcer revenue associated with customer interactions that originate in Europe, regardless of the fulfillment model. This includes onshore, nearshore, offshore, home agent, automated, and technology-enabled fulfillment.
- This study segments and differentiates the CXO services market in a number of ways; among these segments are the following categories:
  - Domestic and Offshore Services.
  - Breakdown by country
  - Service Function.
  - Industry Verticals.
  - Market Share
  - Technology Adoption.
  - Channel of Contacts.
  - WAHA vs. Brick & Mortar Agents
  - Bot Interactions
  - Others

Study Description

- CXO is a subset of the much broader business process outsourcing (BPO) industry, and it is usually defined as a business arrangement in which a company contracts an external supplier to perform a service (rather than accomplish it in-house). Services can range from simple call handling to managing complex business processes such as technical support and customer self-service through interactive voice response (IVR) applications or the Web. Suppliers specialize in handling high volumes of inbound and outbound interactions for customer care, retention, and acquisition; help desk; technical support; collections; and telemarketing/telesales for business clients. In most cases, clients contract the required technology and the employee services, including managers, agents, and process experts
- This study does not include in-house CX operations and captive CX service providers (CXSPs), including shared services centers. Frost & Sullivan considers a CXSP a captive if 80% or more of its revenue is generated by a single client. Many service providers that serve their parent companies are included in the study, as long as less than 80% of the revenue is generated by that partnership.
- In this study, CXO revenue is segmented by customer service; technical support and help desk; debt collection; sales; back office, and other BPO activities (more than 70% of the provider's revenue must come from CX services). Non-CX service providers are excluded; debt collection agencies, translation service providers, strategic management consulting companies, IT service companies, and law firms are also excluded, unless they have a sizeable and visible contact center business unit (for example, Infosys, Tech Mahindra, Conduent, and Genpact). In such cases, only CXO service revenue is considered in the forecast.

Research Methodology

Study based principally on primary research

- Over 50 interviews carried out utilizing extensive questionnaire.
- In all cases, decision makers (executives, managers, etc.) targeted.

Other Steps in Research Process:

- Regional and local secondary sources (company reports, industry associations, statistical agencies, etc.) used for key economic & market measurements used for analysis.
- Extensive forecast and market share models created through research sources, expected current and future trends.

Executive Summary

Market Drivers

CX Outsourcing Services Market: Key Market Drivers, Europe, 2021–2025

Market Drivers

	1 year	2–3 years	4–5 years
Business uncertainties and pressure to reduce costs and increase efficiency and effectiveness drive demand for outsourced services	H	H	H
The rise of digital customer journeys demand companies to incorporate digital technologies that CXSPs provide	H	H	H
Companies with global expansion plans partner with outsourcers to increase their footprint	H	H	H
Lockdowns and the need to shift to a WAHA environment forced companies to find experienced partners in managing WAHA environments and digital technologies	H	L	L
Higher prices and new revenue streams for value-add services and solutions	M	H	H

Impact: **H** High **M** Medium **L** Low

Note: Drivers & restraints are ranked in order of impact. Source: Frost & Sullivan analysis.

Market Restrains

CX Outsourcing Services Market: Key Market Restrains, Europe, 2021–2025

Market Restrains

	1 year	2–3 years	4–5 years
Increasing automation and rising use of AI and self-service tools is reducing call volumes in contact centers	H	H	M
Rising business uncertainty, new COVID-19 outbreaks, and changing regulations affect business environment	H	L	L
Rising attention to optimal digital journeys reduce call volumes to the contact center	M	M	H
Digitalization removing the need for many of the (voice) services that were traditionally outsourced and companies running the remaining, high-value operations in-house	L	M	H
Limited market opportunities for providers that compete mostly on low-cost agent labor rates	L	L	M

Impact: **H** **High** **M** **Medium** **L** **Low**

Note: Drivers & restraints are ranked in order of impact. Source: Frost & Sullivan analysis.

European CX Outsourcing Market

Executive Summary – Europe

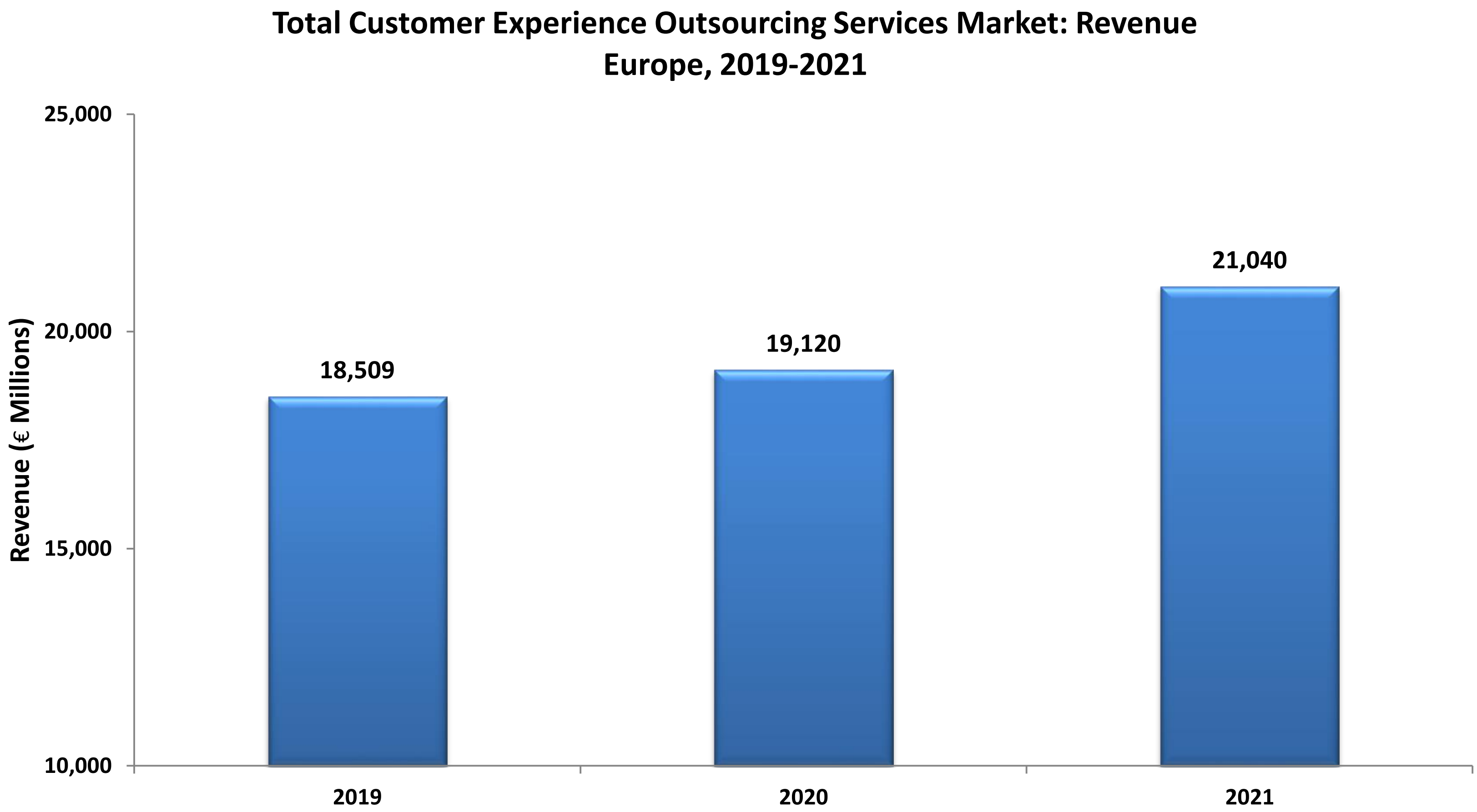
- In 2020, the European CXO services market attained €19.12 billion in revenue, which represents a 3.3% increase from 2019.

- COVID-19 affected CXSPs in two ways: Outsourcers benefited from companies' higher adoption of outsourcing services but were negatively affected by the impact of this crisis on their customers, especially those in travel and hospitality, logistics, transport, and manufacturing. Outsourcers that were highly exposed to these affected verticals suffered heavy losses.

- Frost & Sullivan expects the European market to grow 10.1% in 2021, driven by the higher adoption of outsourcing services during the pandemic; the significant higher spending by the technology, media and entertainment, healthcare, and public sectors; a renewed view of contact centers as profit centers (for cross and up-selling); and the higher liquidity in European economies. By 2025, the market will generate €25.65 billion (CAGR 6.1%).

- In 2020, the onshore business in Europe totaled €10.85 billion and represented 56.78% of the total CX outsourcing business. The nearshoring segment reached €5.38 billion in revenue. Western Europe represents 45.52% of the total nearshoring business, while Eastern Europe accounts for 29.28% and Northern Africa for 25.19%. The offshore business accounted for 15.08% (€ 2.88 billion) of the total outsourcing revenue.

Customer Experience Outsourcing Services – Europe, Market Growth, 2019-2021

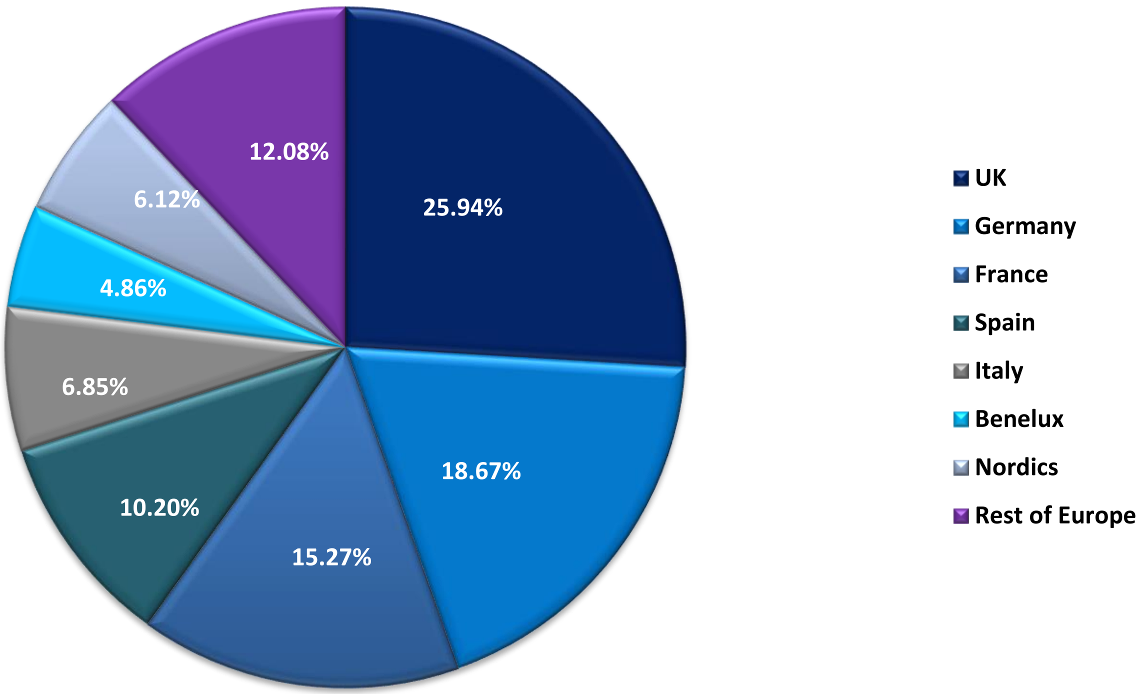


Note: All figures are rounded. The base year is 2020. Source: Frost & Sullivan analysis.

Customer Experience Outsourcing Services, Europe – Breakdown by Region

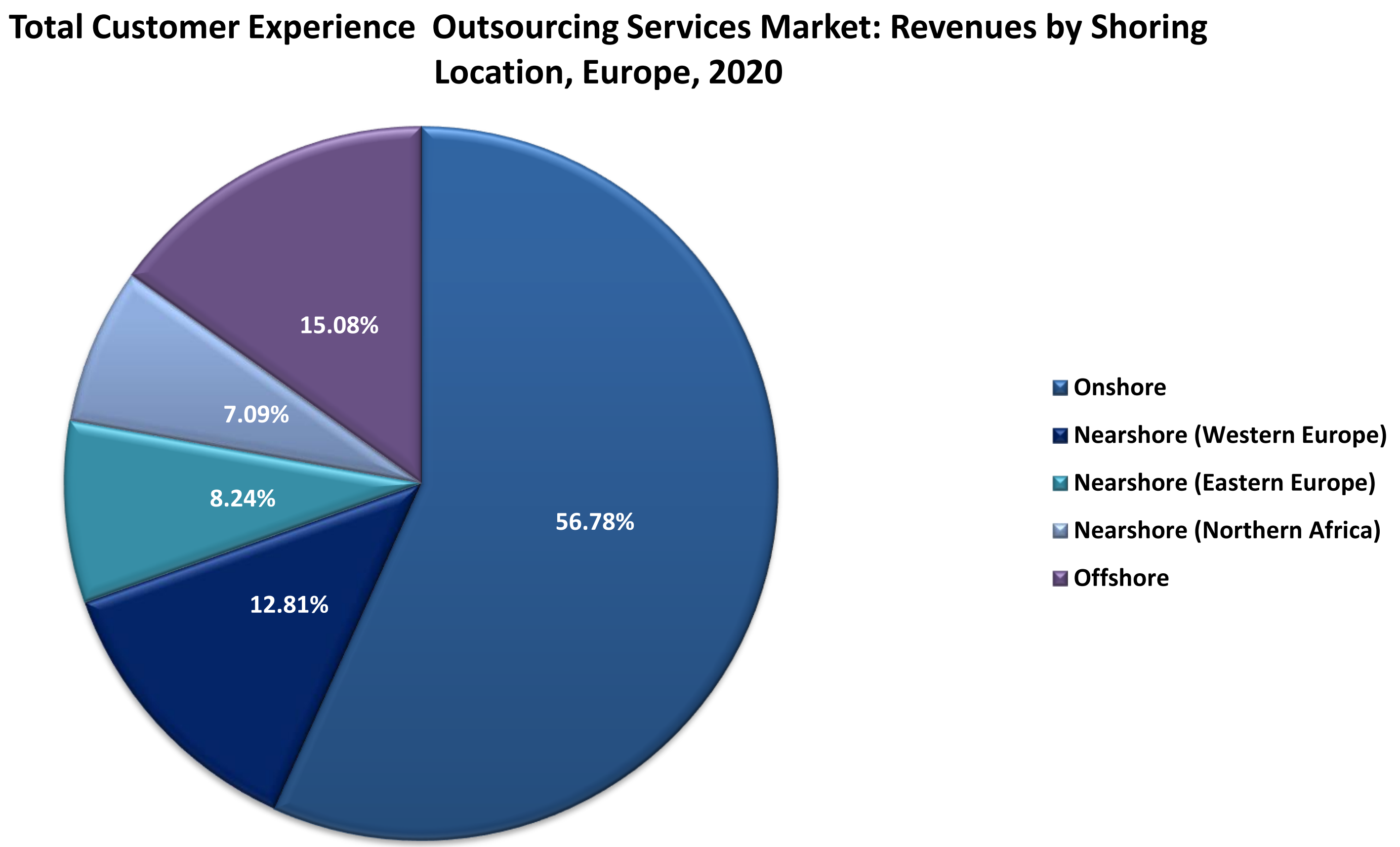
Europe, CX Outsourcing Market, Share by Region, 2020	
Benelux	4.86%
France	15.27%
Germany	18.67%
Italy	6.85%
Nordics	6.12%
Rest of Europe	12.08%
Spain	10.20%
UK	25.94%

Europe, CX Outsourcing Market, Share by Region, 2020



Note: All figures are rounded. The base year is 2020. Source: Frost & Sullivan analysis.

Customer Experience Outsourcing Services Market: Onshore, Nearshore, and Offshore Volumes, Europe, 2020



Note: All figures are rounded. The base year is 2020. Source: Frost & Sullivan analysis.

Growth Opportunities and Strategic Imperative

Growth Opportunities

- Finding the Right Mix between Automation and the Human Touch
- Agent Engagement
- Holistic Value Propositions
- CX Digitalization

Strategic Imperative

- Overview: The CX service provider marketplace is mature, fragmented, and competitive. Hundreds of providers offer a range of outsourced contact center services to enterprise and public sector clients in Europe. Market dynamics and the effects of the pandemic favor global, technologically sophisticated providers over the long term. These CX providers have brand recognition, experience, higher R&D spending, a client base, a large number of partners, and resources to expand their solution portfolio's breadth and depth of offerings.
- COVID-19 is propelling a higher demand for outsourcing services. Providing optimal CX during the pandemic requires high technology deployment, expertise, and scalability, which is very difficult to achieve and manage. Outsourcers are better placed than end-user organizations with in-house contact centers to provide CX services during the pandemic, increasing agility, resilience, and risk mitigation.
- End-user organizations now expect continuous process enhancement and constant innovation. As organizations worldwide must adapt to changing market conditions, they seek partnering with nimble CXSP to provide agility and speed up time to market. The right mix among people, processes, and technology allows successful providers to bring reliable and agile transformation capabilities to their clients.
- Channels: The European contact center industry is being disrupted and transformed, as customer interactions shift from traditional channels to digital channels. Though the voice channel is destined to decrease in relative importance over time, it will remain a prime channel for the next few years. A majority of people still prefer voice-based channels to text-based channels, and the propensity to fall back on voice increases with anxiety. The COVID-19 pandemic has also played an essential role in accelerating the WAHA model, along with the shift to new digital CX services.

Strategic Imperative

- In the wake of these changes, the contact center outsourcing market will transform from voice-centric services to omnichannel and technology-enabled BPO services. As the nature of customer interactions continues to evolve, companies in the contact center space are quickly adopting new strategies and technologies to enhance CX.
- Cloud: Today, almost every CXSP has some of its operations and seats on the cloud. Cloud penetration varies across different companies, but Frost & Sullivan expects that the shift to the cloud will continue at a high pace over the next five years. More than 50% of the CXSPs will have more than 41% of their contact center seats/agents on hosted/cloud solutions by the end of 2023.
- Nearshoring - With the COVID-19 pandemic and ensuing lockdowns, many companies felt a loss of control of offshoring agents. As such, onshoring and nearshoring locations are gaining more traction. Some demanded locations are in Western (e.g., Ireland, Portugal, Spain) and Eastern Europe (e.g., Bulgaria, Poland, Romania). Many Eastern European countries not only offer the typical nearshoring benefits (e.g., lower wages cost), but as members of the EU, companies work under the same legislation as in the buyer countries, and contracts are governed. Nearshoring services will continue growing over the next five years.
- This report provides a detailed assessment of the customer experience outsourcing services market in Europe, providing market shares, segmentation, and forecasts for several variables such as a number of full-time agents, fulfillment region, industry vertical, born-digital vs. traditional companies, the channel of contact, and service function. The base year of this study is 2020 and forecasts reach 2025.

Appendix

Partial List of Companies Interviewed

- [24] 7.ai Inc
- Almaviva
- Alorica
- Arise
- Atento
- Bosch
- Capita
- CGS
- Comdata
- Concentrix
- Conduent
- Conectys
- Covalen
- Covisian
- DXC Technology
- Emergia
- Everise
- Firstsource
- Genpact
- Grupo Unísono
- Grupo Konecta
- HGS
- IGT Solutions
- Infosys
- Intelcia
- iQor
- M+ Group
- Majorel
- Marktel
- Outsourcia
- Regiocom
- Sensée
- Serco
- Sitel
- Startek
- Sykes
- Sutherland GS
- Teleperformance
- Telus International
- Tech Mahindra
- Task Us
- TTEC
- Transcom
- Unicall
- Webhelp
- WNS
- Several nearshore and offshore providers

Interested in Full Access? Connect With Us

Research Author
Federico Teveles ICT Industry Analyst @FedericoTeveles https://www.linkedin.com/in/fteveles/

Twitter
https://twitter.com/Frost_Sullivan

LinkedIn Group
https://www.linkedin.com/company/frost-&-sullivan

SlideShare
http://www.slideshare.net/FrostandSullivan

Facebook
https://www.facebook.com/FrostandSullivan

Frost & Sullivan Events
http://bit.ly/MvPRbQ

GIL Community
http://ww2.frost.com/gil-community/

Next Steps

Your Next Steps

Take the Growth Pipeline Diagnostic™

1

Have your Growth Team executives take the online survey for a high-level diagnostic on your growth capabilities

Participate in a customized Growth Pipeline Dialog™

2

Engage in a deep dive discussion with our consulting team to understand new growth opportunities

Decide on Growth Pipeline Audit™ or GPaaS™ Solution

3

Connect with your Frost & Sullivan consultant to embark on the growth journey

Why Frost, Why Now?

Our Expertise

EXPERIENCE	• 60 years of proven global experience • Trusted partner of Investors, corporates, & governments
COVERAGE	• Industry convergence through comprehensive coverage • Global footprint to match clients' needs
ANALYTICS	• Innovation Generator™ driving six analytical perspectives • Proprietary growth tools & frameworks
BEST PRACTICES	• Growth Pipeline Engine™ and Companies to Action™ • Ten Growth Processes: best practices foundation

Client Impact

- **FUTURE GROWTH POTENTIAL:** Maximized through collaboration
- **GROWTH PIPELINE**: Continuous flow of growth opportunities
- **GROWTH STRATEGIES**: Proven best practices
- **INNOVATION CULTURE**: Optimized customer experience
- **ROI & MARGIN**: Implementation excellence
- **TRANSFORMATIONAL GROWTH**: Industry leadership

Legal Disclaimer

Frost & Sullivan takes no responsibility for any incorrect information supplied to us by manufacturers or users. Quantitative market information is based primarily on interviews and therefore is subject to fluctuation. Frost & Sullivan research services are limited publications containing valuable market information provided to a select group of customers. Our customers acknowledge, when ordering or downloading, that Frost & Sullivan research services are for customers' internal use and not for general publication or disclosure to third parties. No part of this research service may be given, lent, resold or disclosed to noncustomers without written permission. Furthermore, no part may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the permission of the publisher.

For information regarding permission, write to:

Frost & Sullivan

331 E. Evelyn Ave. Suite 100

Mountain View, CA 94041