FROST & SULLIVAN

Market Insight

BPO Enabling Technology Part II

Radically Transforming Client Partnerships

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Contents

Introduction

This Market Insight is Part II of Frost & Sullivan's series on the topic of technology- enabled Business Process Outsourcing (BPO). The study's emphasis is on customer care outsourcing for service, sales and technical support in North America. Consumer behavior is changing at a frenzied pace, and BPO service providers are re-tooling operational processes and investments to manage market challenges. This movement into new realms of specialized expertise signals opportunities for technology investments that could translate into enhanced value creation and a seamless service experience for clients and consumers.

In preparing this report, Frost & Sullivan conducted interviews with executives over several months from the following companies:

- Concentrix
- Genpact
- Hinduja Global Services
- Humanify
- Minacs
- SpiceCSM
- SYKES
- Teleperformance
- Transcom

Please note that the insights and opinions expressed in this assessment are those of Frost & Sullivan and have been developed through our research and analysis. The expressed insights and opinions do not necessarily reflect the views of the companies cited here.

Frost & Sullivan has a global team of analysts and consultants continuously researching a wide range of markets across multiple sectors and geographies. As part of this ongoing research, we identify companies that are true industry leaders, delivering best practices in growth, innovation, and leadership (GIL). These companies have a keen eye to the future, and drive innovation that meets future needs before they become commonly visible. They are often the first to market with new solutions. These service and solution providers focus on delivering the best products at optimal prices to maximize customer value and customer experience, and by doing so are growth leaders in their respective industries.

Identifying such companies involves extensive primary and secondary research across the entire value chain of specific products and/or markets. Several of the companies interviewed for this Market Insight have recently received Frost & Sullivan Best Practice Awards.

2015-2016 Industry Challenges and Opportunities

Frost & Sullivan's research shows the following as the most pressing challenges for customer care outsourcing firms in North America for 2015-2016:

- Contain costs and reduce complexity

- Drive out agent efficiencies

- Combat agent attrition and retain top talent

- Deliver high quality live and automated interactions

- Manage an omni-channel environment (social, mobile, email, text, chat, video)

- Address the plethora of security certifications and government regulations

- Identify and minimize agent fraud

- Leverage the power of predictive analytics, big data and automation

- Invest in global, state-of-the-art technology platforms

- Maximize upsell and cross-sell activities to expand customer relationships

Thus, there is an increasing demand and opportunity for deploying creative solutions. This allows clients to penetrate new markets and grow existing ones. Clients seek out true partnerships with outsourcing providers and vendors that help accelerate growth by way of:

- Improving net promoter scores (NPS) and customer satisfaction rates

- Increasing the number of acquisitions and sales conversions

- Making the agent's job easier

- Generating up-sell and cross-sell activity

- Enhancing customer engagement with an omni-channel communication strategy

It is Frost & Sullivan's opinion that the principal competitive challenge in the customer care outsourcing market revolves around the need for flexibility and speed in implementing customized client solutions. To successfully meet clients' needs, service providers must balance global agent capacity, the strategic use of company resources, technology investments, employee training and smart contract pricing strategies. To complicate matters, sales and support agents in contact centers today are utilizing a wider arsenal of communication tools - voice, video, e-mail, IVR, Web chat, file sharing, and social media.

Is the Voice Channel on its Deathbed?

At this juncture, it would be a stretch to say that voice is dead. Exhibit 1.0 shows that as a proportion of total customer interactions, the projected decline for live-agent voice is rather significant, indicating a shift from traditional (voice) to newer (digital) channels. Channels include inbound and outbound interactions. Mobile includes text and mobile (customer care) apps. Video largely represents video content. Our research suggests, however, that the use of video for live customer-agent interactions is still very nascent.

Exhibit 1 illustrates the North American current versus future customer interaction channel usage for 2014.

Exhibit 1: Current Versus Future Customer Interaction Channel Usage (Mean Percent): North America, 2014
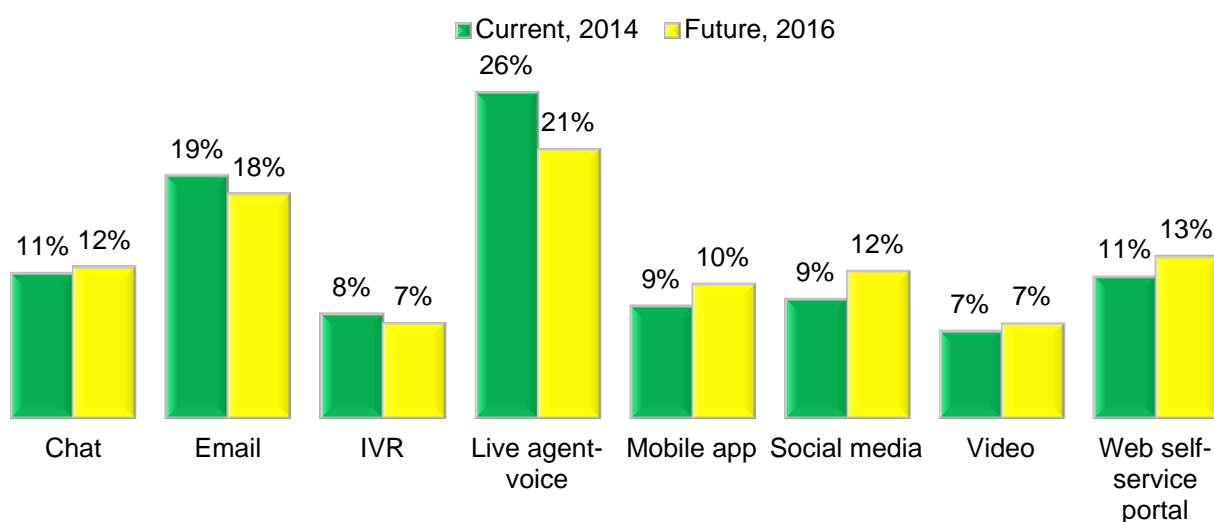
Base: All respondents (n=305).

Q7a. What proportion of your customer interactions currently takes place in each of the following channels? - Mean scores.

Q7b. Thinking about your contact centers two years from now, what proportion of your customer interactions do you expect will take place in each of the following channels? - Mean scores.

Source: Frost & Sullivan

The important takeaway is this: Frost & Sullivan believes that traditional voice-centric call centers are morphing into "omni-channel" contact centers. Some in the industry have suggested the term "relationship hubs". This poses a challenge for BPO companies that have not invested in the latest tools, technologies and processes.

Omni-channel Engagement: What to Expect

Frost & Sullivan defines Omni-channel as seamless and effortless, high-quality customer experiences that occur within and between contact channels. It ensures that data and context from the initial contact carries over to subsequent channels, reducing customer effort, improving the customer interaction, and enabling the business to tailor the customer journey.

The proliferation of channels and devices that consumers now have at their fingertips is creating an operational challenge for all contact centers. Mobile, engaged, and "always-on" are just some of the terms used to describe today's consumers. While customers still call, increasingly their preference is to self-serve first and research online before they engage or re-engage with a business. Increasingly, customers in 2015-2016 expect personalized interactions and engagement on the channel of their own choice, yet will "channel hop" - moving between voice, text, mobile apps, chat, blogs, streaming video, community forums, and social media, often using three or more simultaneously.

Frost & Sullivan's 2014 Customer Survey: Enterprise Priorities in North America, Multi-channel Customer Contact, queried 305 contact center and customer care decision makers about their future contact center plans. As seen in Exhibit 2.0, results show that the highest growth is projected for new customer contact channels. The highest growth rate is for social media customer interactions, followed by mobile customer care apps, and web self-service. Chat and video continue to be growth areas as well.

Exhibit 2 illustrates the 2014 North American expected growth rates for customer interaction channels.

Exhibit 2: Expected Growth Rates for Customer Interaction Channels: North America, 2014
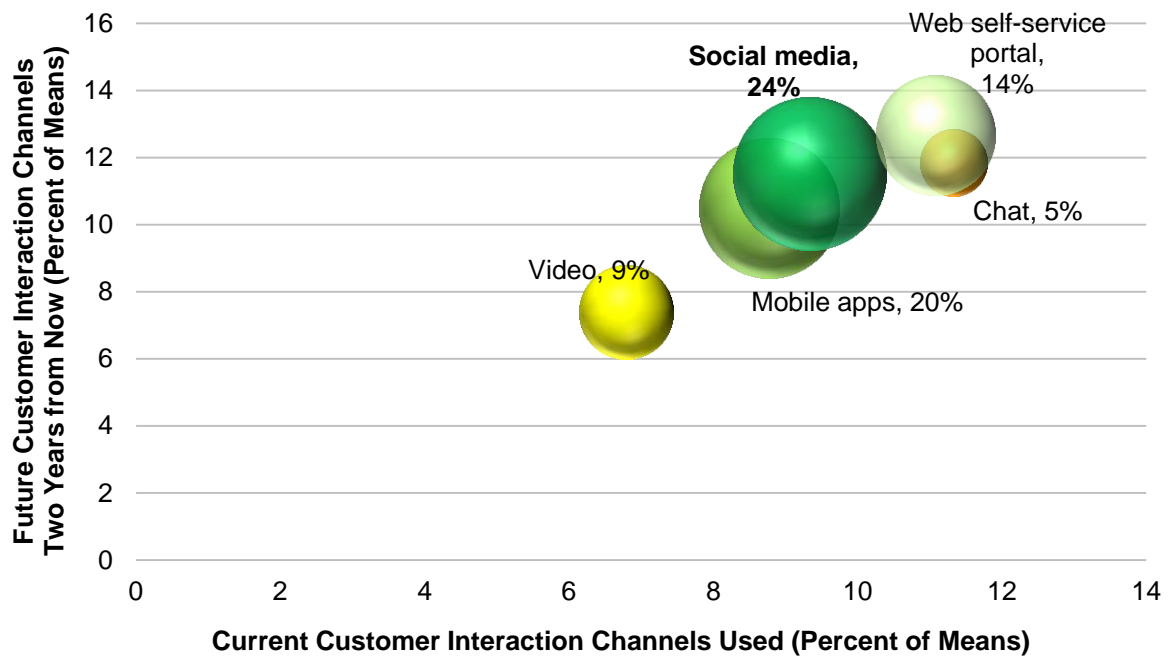
Note: Size of the sphere represents the growth rate.

Base: All respondents (n=305).

Q7a. What proportion of your customer interactions currently takes place in each of the following channels? - Mean scores.

Q7b. Thinking about your contact centers two years from now, what proportion of your customer interactions do you expect will take place in each of the following channels? - Mean scores.

Source: Frost & Sullivan

Seamless, Frictionless Experiences

As noted in Exhibit 3.0 below, the ability of outsourcers to deliver consistent and seamless customer experiences across contact channels is a high priority for 49% of the respondents. That number is expected to rise to 57% by 2016, indicating an increasing focus in this area for enterprises and outsourcers.

Exhibit 3 illustrates the North American current and future level of priority to deliver consistent and seamless customer experiences for 2014.

Exhibit 3: Current and Future Level of Priority to Deliver Consistent and Seamless Customer Experiences: North America, 2014
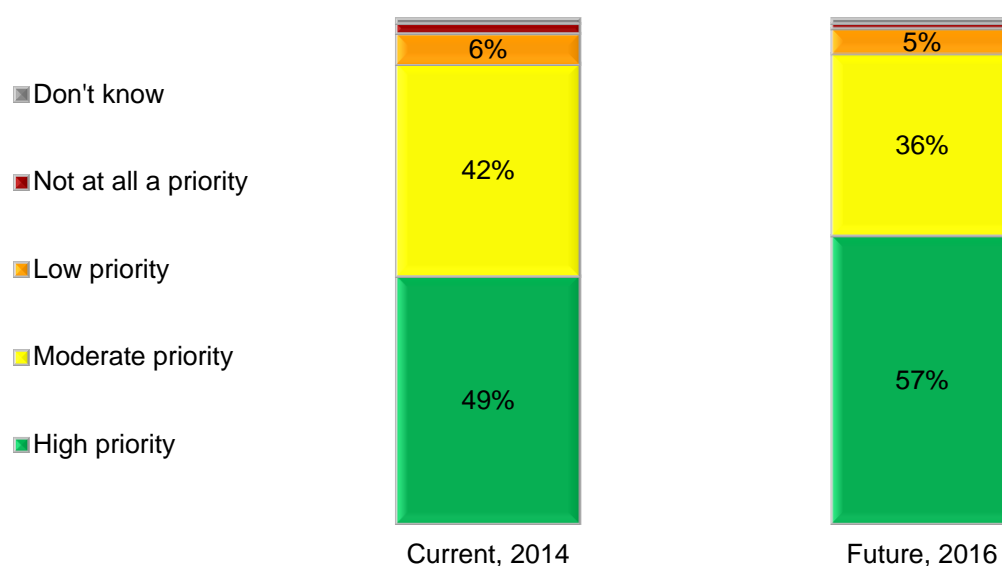
Q31a. Please rate the priority your company currently places on its outsourcers being able to deliver consistent and seamless customer experiences across channels.

Q31b. Please rate the priority your company expects to place on its outsourcers being able to deliver consistent and seamless customer experiences across channels two years from now.

Source: Frost & Sullivan

A New Era of BPO Value Creation

Based on the experience of leading companies, one way that technology and platforms provide a BPO advantage is in capturing new kinds of value. Frost & Sullivan believes that "standard" BPO cost reductions, usually gained through labor arbitrage, represent a very limited and largely unsustainable form of value capture. Price commoditization based on hourly FTE rates, serves the industry poorly- even in the case of strategic 'trophy' logo wins that lose money. The smart move is to innovate and improve fundamental business processes that can be enabled by executing on three fronts:

• Recruiting and retaining the right agent talent and skillsets

• Employing technology tailored to the client's business objectives

• Anticipating future client needs and making investments in people, processes and technology

Industry Examples

There are a number of important current trends to examine. We are witnessing ambitious service providers deploying technology, tools and platforms—including analytics, automation, mobility, social collaboration – all in the Cloud. What follows here are several industry examples. They showcase successful technology-enabled BPO platforms that add real value for clients.

Concentrix: RenewalsManager®

Concentrix has delivery sites in the U.S., Europe, Latin America, and Asia. With 54,000+ staff in 24 countries and 40+ languages, Concentrix is able focus on its clients' business objectives and customer engagement while leveraging technology and innovative best practices.

In the renewals industry, service contracts represent a predictable, recurring and profitable revenue stream. The challenge has always been the complexity of the process, inefficiencies and missed opportunities. Channel partners and distributors are desperately trying to figure out ways to generate recurring revenue faster and automate the renewals life cycle for maintenance support, license and subscription renewals.

RenewalsManager®, offered by Concentrix, takes advantage of every service contract renewal opportunity. For today's 'always on' consumer it also provides online self-service functionality 24x7. This is incredibly valuable for high-volume, low-dollar renewals. RenewalsManager® utilizes its marketing engine to send notifications with embedded renewal quotes that allow customers to purchase online through self-service options. This automated process provides price/performance value because it allows (vendor/partner) clients to capture significant revenue without incurring much of the cost to do so.

New customer acquisition and retention is improved significantly since RenewalsManager® can import, aggregate and validate data from multiple sources. This functionality gives clients a complete view of all of their renewal opportunities. The RenewalsManager® Reporting Module accelerates performance and delivers improved efficiencies in the following ways:

- Pinpoints where revenue is coming from and accurately forecasts predicted sales revenue

- Spots trends and determines reasons why customers choose not to renew

- Compares performance by region, product, sales team, and channel partner

- Identifies how marketing or changes in pricing affect sales

- Analyzes clients' pipelines and develops sales tactics to generate more revenue

SpiceCSM: iPaaS Technology Pioneer

SpiceCSM is a leading provider of Customer Engagement Center technology delivered as an Integration Platform as a Service (iPaaS) technology. The company specializes in solutions for customer contact centers. This includes those that are operated in-house as well as outsourced call centers. The SpiceCSM Cloud Based Decision Tree Software uses Guided Process Workflows to present dynamic information to contact center support representatives that can cut costs, minimize training and reduce agent turnover rates. The Guided Process Builder is a simple and intuitive visual process editor tool that creates intelligent decision trees with embedded content.

A leading U.S. - based telecommunications company presented SpiceCSM with a unique business problem. The client had an aggressive customer acquisition strategy with the goal of adding one million new subscribers in a single year. SpiceCSM Guided Process Builder was utilized in order to build and deploy sales workflows for the telecom's 750 agents across multiple centers. SpiceCSM Guided Process Builder allowed the company to deploy sales workflows in less than half the time as typical implementations. The telecom company saved just under 80% of previous program costs. This campaign resulted in sales close rate increase from 12% to 20% (a 66% increase.)

Genpact: Smart Enterprise Processing (SEPTM)

Genpact stands for Generating Impact—visible in tighter cost management as well as better management of risk, regulations and growth for hundreds of long-term clients including more than 100 of the Fortune Global 500. Genpact with over 68,000 employees has operations in 24 countries and supports over 25 languages.

The globalization of services is gaining greater acceptance in the BPO and customer interaction management (CIM) market. Genpact's "Smart Enterprise Processing" (SEPTM), a proprietary transformation framework, helps organizations solve key business outcomes by focusing on effectiveness and cross silo interactions and dependencies.

Another notable solution in the Genpact solutions set is Genpact Electronic Invoice Presentment and Payment (EIPP); a technology-based solution that has been proven to:

- Reduce operational costs by 25–45%

- Improve cash flow by 20–30%

- Remove bottlenecks in the billing process

- Provide customized, real-time invoices in multiple formats

- Increase transparency

Genpact delivers EIPP via a cloud-based Software as a Service (SaaS) delivery model. The solution is scalable to suit the needs of all business types and can be deployed globally to standardize operations across a company's entire footprint.

Minacs: Automotive Platform and Sector Expertise

Minacs employs 21,000 associates, serving over 100 clients in 41 languages from 34 delivery centers in locations such as Canada, Germany, Hungary, India, Jamaica, the Philippines, Mexico, the UK, and the US. Minacs has a decades-long history of delivering service and support to Automotive Original Equipment Manufacturers (OEM's). A partial list includes Ford, General Motors (GM), Honda, Hyundai, Jaguar, Kia, and Mazda.

Minacs has designed and developed a suite of tools and solutions aimed at automotive dealerships, including:

- **Minacs Service Reminder Solution (SRS).** These are targeted reminder solutions, with expert consultancy for communication methods, channels, personalization and timing.

- **Minacs SmartLine.** A direct marketing platform with a proven track record of increasing traffic, retention and revenue for dealership parts and service departments.

- **Minacs Dealer Services Group/Program HQ.** This program educates OEM channel partners on new marketing programs, benefits, budgets and plans to maximize results.

- **Minacs Service Prospecting Solution (SPS).** Offers targeted marketing solutions to activate and recapture customers and generate loyalty with the assurance of high quality.

A global automotive client sought to outsource its Technical Assistance Center (TAC) that supports 450 Canadian and 25 Caribbean dealers, with the focus on supporting service technicians. Minacs deployed a solution driven by Computer Telephony Integration (CTI) and Interactive Voice Recognition (IVR) technologies, which enabled the client's dealers to easily and correctly enter Vehicle Identification Numbers (VINs) and special dealer codes.

The implementation of the program resulted in significant cost savings and improved service levels. The solutions achieved a top 2 box satisfaction score of 92.2%, a 12% reduction in unprepared calls and a service level of 99.4% - surpassing the client's goal.

Hinduja Global Services (HGS)

HGS, part of the multi-billion dollar conglomerate Hinduja Group, offers Customer Relationship and Business Process Management services, with a global footprint across North America, Latin America, Europe, Asia, and Africa. HGS seeks to optimize the Customer Experience for clients, helping to make those clients more competitive. The company provides a full suite of business process management services from customer interaction services and marketing and digital enablement services to platform enabling back office business services. HGS applies analytics and interaction transformation design in seeking to deliver innovative thought leadership to clients so as to increase revenue, improve operating efficiency, and help retain valuable customers.

The company's focus markets are North America and Europe, supported by a network of delivery centres in India and the Philippines.

Company Highlights

- **Industry coverage.** HGS focuses on the telecommunications and media, healthcare, insurance, banking, consumer electronics and technology, retail, consumer packaged goods industries, and the public sector.

- **Growth through transformational solutions.** Over the past few years, much of the Hinduja Group has focused on strengthening the foundation of its businesses for sustainable growth into the future. Through a "Business Transformation Framework" that HGS has developed, these initiatives are now being rolled-out across all markets, aiming to help clients make transformational changes to their business processes.

- **Business Intelligence.** HGS has deployed Business Intelligence across geographies and industry verticals.

HGS recently announced acquisition of a majority stake in Colibrium Partners LLC and Colibrium Direct LLC (Colibrium). HGS already serves Fortune 100 health insurance clients, providing a broad array of services in both the administrative and clinical functions. The addition of Colibrium Partners and Colibrium Direct brings complementary platform and servicing capabilities in the sales and enrollment area for the US and global health insurers.

Humanify: A Cloud-based Omnichannel Solution

Humanify™ is a wholly owned subsidiary of TeleTech. Humanify's EXPERTconnect product/solution, is a patented, cloud-based omni-channel solution that was launched in November of 2014. EXPERTconnect's strategic capabilities, features and services include:

- **EXPERTconnect Answer Engine.** Answer Engine responds to natural-language questions, and integrates with Humanify's Business Rules Engine to seamlessly escalate to an Expert via chat, video or voice.

- **EXPERTconnect Advanced Matching.** This multimodal matching engine powers Humanify's cloud-based, SIP-enabled platform to facilitate communication by intelligently matching each customer to the right Expert.

- **EXPERTconnect Mobile SDK and Web Component.** Gives the client control over the user's experience; how, when, and where they connect to an Expert. Advanced device integration allows for omni-channel communications, geolocation, media sharing, and video.

- **EXPERTconnect Mobile Workforce App.** Provides the client's mobile workforce with a mobile app for iOS and Android. It connects customers to the client's field Experts, in-store sales Experts or corporate subject matter Experts.

- **EXPERTconnect Premium Assist.** Allows Experts and customers to co-browse, share documents and apps, enable on screen annotation during any chat, voice or Video interaction regardless of browser or device.

- **EXPERTconnect Expert Agent Desktop.** The Expert Desktop presents a good balance between a simple and intuitive User Interface (UI) and a robust toolset for managing multiple, concurrent customer interactions, efficiently and effectively.

SYKES: TalentSprout and Insight Analytics

Company Background

Sykes Enterprises, Incorporated, is a global business processing outsourcing (BPO) leader. SYKES was founded in 1977 in North Carolina and moved its headquarters to Tampa, Florida in 1993. The company meets clients' customer care and transaction processing needs with 50,000 employees in 21 countries. SYKES has over 60 delivery centers and can offer customer care support in 30 languages. The company provides an array of sophisticated customer contact management solutions to a wide range of clients including Fortune 1000 companies, medium sized businesses, and public institutions around the world. This includes communications, financial services, healthcare, technology/consumer, and transportation and hospitality industries.

SYKES offers a SaaS-based talent development platform, called TalentSprout. It is an online, automated employee screening platform. Just a few of its unique capabilities include:

- A new 'Lean Forward' approach to agent learning

- Brand and culture training

- An innovative on-line student portal

Through TalentSprout, SYKES also offers its clients a 3-day Active Learning Workshop. This is for trainers looking to build their own active learning facilitation skills. LEARN is TalentSprout's proprietary learning management system. It is designed to make training as simple as possible for the end user, while retaining maximum flexibility for administrators. It supports a wide range of content, including SCORM and TalentSprout's own custom content.

Distinct Approach to Analytics

In 2013, Frost & Sullivan recognized SYKES with an Award based on its excellence in executing a world-class service capability; SYKES Insight Analytics. This solution applies root cause analysis with a range of techniques to differentiate customers by developing insight into customer needs directly from customer interactions. Standard monitoring and analytics tools often focus only on the 'what' of the exchange with the end-customer.

Teleperformance: Industry-leading Security Platform

With more than 37 years of experience in the market, the Teleperformance Group has grown its operations to more than 135,000 computerized workstations, with 182,000 employees across more than 270 contact centers in 62 countries - serving more than 160 markets. It manages client programs in more than 63 languages and dialects on behalf of major international companies.

Customer data represents a tempting target for thieves. Today's customers are more concerned than ever about how companies use their data and track their activities online. Agent fraud within contact centers, also represents a significant threat. One of the primary information security threats related to contact centers is when employees take sensitive customer data with the intent to sell it to criminals. This type of "outsider" fraud is often linked to organized crime networks that have the sole purpose of placing thieves within contact centers in order to steal confidential customer information.

In May 2015, Teleperformance announced an innovation that brings its customers and the market a new technology solution, Enhanced Security Practice (ESP™). This solution accelerates the entry speed of confidential consumer data while securing the information capture process. The United States government, through its U.S. Patent and Trademark Office, issued Teleperformance a U.S. patent for "securely and efficiently processing telephone orders" through ESP™.

Teleperformance's Mobile Enhanced Security Practice (mESP). mESP can extend the security and convenience of mobile wallets such as Apple Pay and Android Pay, along with dozens of others, to over-the-phone commerce. mESP will also significantly enhance the customer experience as well as prevent fraud through the most efficient and secure advance in phone order processing.

Transcom

Transcom is a leading global Business Processing Outsourcing (BPO) provider, delivering customer care solutions to a wide range of industry sectors including telecommunications, the financial industry, travel & leisure, utilities and retail/consumer goods. With 20,000+ care professionals operating in 29 countries worldwide, Transcom serves over 120 major clients in more than 30 languages. Transcom's global footprint includes 75 sites worldwide. Services include, but are not limited to:

- Customer acquisition and retention

- Customer care and technical support

- Credit collection

- Debt purchase

- Back office

- Legal services

- Market research and intelligence

- CRM consulting

- Translation and interpretation

Transcom is actively harnessing the 'power of the cloud' to deliver omni-channel customer experience by embedding real-time voice, text and video communications capabilities in Web browsers. This technology is being considered in the following areas;

- Automation of agent tasks including voice-enabled Web front ends, workflow, data collection and presentation - can significantly reduce error rates and quality.

- Automation of management functions such as voice-enabled Supervisor applications enabling real time management of Contact Center services.

- Advanced screen and voice recording applications with voice converted to text through easy-to-code API's.

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Concluding Remarks

Our research shows that clients are, more than any other time perhaps, looking for true partnerships with their Business Processing Outsourcing providers. They want to build a relationship with a provider that accelerates the growth of their companies and the strength of their brand. New prospects that have never outsourced customer care are engaging in outsourcing discussions and new deals in 2015. Consumer behaviors are changing and service providers will need to invest in more advanced technology platforms and develop operational processes to meet the complex communication needs of today's evolving client-base. Relevant and easy-to-use technology platforms will be key to meeting the complex communication needs of today's demanding, omni-channel consumer.

Frost & Sullivan believes that the platforms highlighted in this report are radically transforming client and BPO partnerships, globally; signaling growth and continued acceptance of customer care outsourcing.

Legal Disclaimer

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- Quantitative market information is based primarily on interviews and therefore, is subject to fluctuation.

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Frost & Sullivan

331 E. Evelyn Ave., Suite 100

Mountain View, CA 94041

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Frost & Sullivan helps clients accelerate growth by accomplishing the following:

- Delivering the broadest industry and market coverage of any research and consulting firm worldwide, 10 industries, 35 sectors, and 300 markets, ensuring clients not only understand their industry challenges and opportunities but growth opportunities in aligned industries and understand competitive pressures from previously unknown sources,

- Providing a 360 degree perspective—integrating 7 critical research perspectives to enhance significantly the accuracy of clients' decision-making and lowering the risk of implementing growth strategies with poor return,

- Leveraging extensive contacts within the chemicals and materials value chain, including manufacturers, distributors, end users, and other industry experts,

- Ensuring clients maintain a perspective of opportunities and threats worldwide through 1,800 analysts in 40 offices, making sure clients receive global coverage and perspective based on regional expertise,

- Researching and documenting best practices worldwide, ensuring clients leverage proven best practice answers to tough business challenges for successful growth, and

- Partnering with the client's team, in addition to delivering best practices research and experience, to ensure success.