



Automation and Work-at-Home Transforming the Customer Experience Outsourcing Services Market in Latin America and the Caribbean, Forecast to 2025

New Paramount Importance of Remote Interactions Spur Novel Growth Opportunities

Powering clients to a future shaped by growth

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KEY FINDINGS

- ▶ The customer experience (CX) outsourcing services market was significantly hit by the pandemic in 2020, especially when measuring revenue in USD. However, the negative impact was not as great as in other economic sectors, as the COVID-19 crisis accelerated some positive trends. Social distancing regulations across the region did not allow consumers to visit shopping malls and physical stores, leaving the remote connection as the only way to engage with brands.
- ▶ This situation generated significant growth opportunities for many CX service providers (CXSPs) and elevated the status of the CXSPs in the economy. Moreover, as people spent more time isolated in their homes, they yearned for a human connection and reached out more often to brands to speak with human agents.
- ▶ COVID's impact was felt across the entire customer experience service industry, but it has not impacted all providers in the same way. For instance, the CXSPs that were focused on providing services to industries such as telecommunications, high tech, born-digital, and healthcare performed better than others with large travel and hospitality accounts or manufacturing industries. Similarly, outbound activities suffered the biggest cuts, while inbound customer service and technical support, in some cases, experienced significant growth.
- ▶ Moreover, in general, smaller companies were not as successful as bigger providers, which had the financial muscle and management resources to deal with the pandemic's challenges effectively. Global providers with operations in Asia were aware of the situation first and had more time to coordinate and prepare a proper response with a successful transition to work at home agent (WAHA) programs.
- ▶ Growth opportunities for this market include:
 - Intensive use of AI and automation tools.
 - Leveraging digital to drive sales.
 - The massive opportunity of the nearshore market.
 - Building a strong business continuity practice to establish long-term partnerships.
 - Developing a secured WAHA practice for a competitive edge.

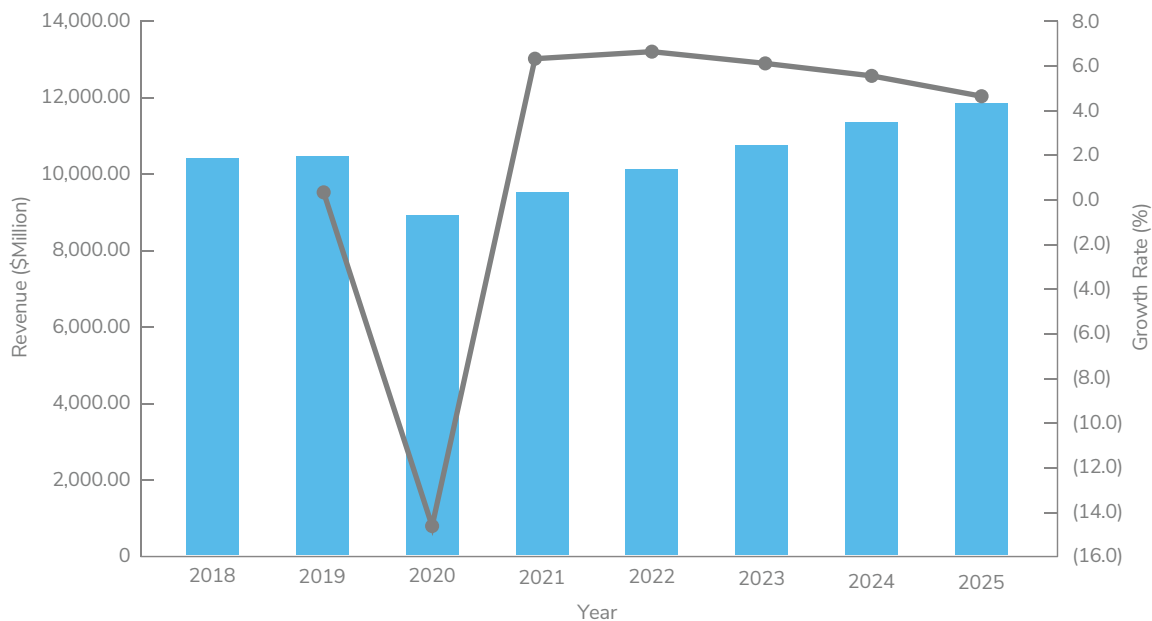


MARKET OVERVIEW

The customer experience outsourcing (CXO) services market in Latin America and the Caribbean (CALA) attained \$10.46 billion in revenue in 2019, representing a 0.5% increase compared to 2018. This stagnated performance was mostly due to the automation of a large number of interactions by telecom companies, particularly in Brazil, which was partially offset by solid performances of CaCar¹ (which grew 8.7% year-over-year (YoY)) and Colombia (8.3%). Moreover, the devaluation of some Latin American currencies against the U.S. dollar, such as the Argentinean peso (71.3%), the Colombian peso (11%) and the Brazilian real (8%), negatively impacted the revenue measured in U.S. dollars.

Although 2019 exhibited positive growth rates for the CX outsourcing landscape, the 2020 market is forecast to exhibit a revenue decrease (14.5% YoY). The drop will be driven by the negative impacts of the coronavirus pandemic, which were more noticeable in the second quarter of the year, and the significant devaluation that most Latin American currencies are suffering against the U.S. dollar in 2020, particularly the Brazilian reais and the Argentinean peso. However, revenue is predicted to grow throughout the forecast period and attain a 2.1% CAGR from 2019 to 2025, driven by Colombia and CaCar, as CX consolidates as a strategic competitive weapon throughout the economy.

Total Customer Experience Outsourcing Services Market: Revenue Forecast, CALA, 2018-2025



Source: Frost & Sullivan

1 CaCar stands for Central America and Caribbean

Industry Verticals, Services and Channels Insights

- ▶ One of the major shifts in the CALA customer experience outsourcing services market's competitive dynamic is the decrease in the demand of telecommunications companies. As a consequence, many CXSPs were forced to diversify their client portfolios to survive. While high tech, healthcare and media & entertainment are forecast to be among the fastest-growing verticals, forward-thinking CXSPs are actively looking to work with born-digital companies—such as Uber, Cabify, Netflix, Rappi and iFood—to pave their way for future growth as these companies are expected to experience tremendous growth during the next five years. .
- ▶ More than 85% of the market encompasses customer care (including retention programs), sales, tech support and help desk, and collections services. However, many CXSPs need to diversify their service offering and expand their back-office and other non-interaction capabilities for services such as logistics, finance and accounting, infrastructure solutions, human resources, software development, document management, consulting, and other specialist services/knowledge process outsourcing (KPO). Moreover, as the COVID-19 pandemic shaped the CX landscape in 2020, inbound activities benefited while outbound services (including sales and collections) took a hit.
- ▶ During the first couple of months of 2020 in CALA, CXSPs were overwhelmed with phone calls and could not attend to all of them promptly. This situation led to an acceleration of the use of digital channels, as providers bet on these technologies (especially chat, social media and web collaboration) to cater to the increasing demand for CX services. As a result, digital channels are forecast to be the fastest-growing method of contact in 2020.

The Massive Transition to WAHA

The COVID-19 pandemic triggered social distancing regulations and lockdowns during 2020 in most countries in CALA. This situation forced providers to rapidly adopt work at home agent (WAHA) programs across the entire continent. As a result, at the end of May 2020, almost two-thirds of the total outsourced agents in CALA worked remotely.

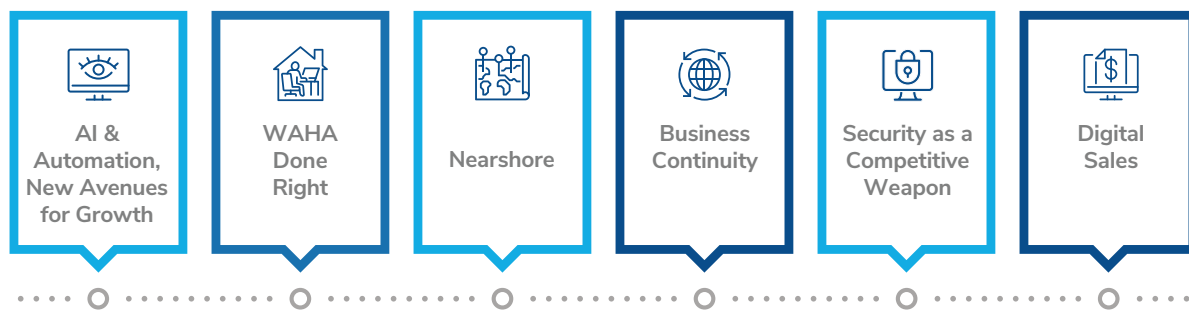
WAHA presents several benefits for CX outsourcers, including less use of real state (which eventually may lead to decreased costs) and the widening of the available labor pool as it opens the door for workers unwilling or unable to commute to a facility but willing to work from their home. Furthermore, as WAHA matures, the agent's profile is likely to change as well. While some people work best in groups and are more suited for on-site jobs, others like to work alone and may be more willing to work remotely. Additionally, as geographic boundaries no longer affect hiring, providers might hire people with high education levels that reside in locations where the outsourcer has no facilities.

Yet, WAHA may not be suited for all types of agents because it requires a dedicated space and device to perform CX services efficiently. The current profile of the Latin American agent does not meet at least one or both conditions in many cases. Further, the existence of solid telecom infrastructure is sine-qua-non to a successful WAHA implementation. Many secondary cities in CALA do not have a strong telecom infrastructure. Therefore, WAHA in Tier-II locations in CALA may not be as widespread as in other regions, such as the United States. Finally, restrictive regulations (such as the Telework Law in Argentina) could deter the widespread implementation of WAHA.

In the coming years, Frost & Sullivan expects to see the rise of a hybrid environment in which some agents will work on-site and some from their homes. While the actual percentages are yet to be determined, this situation's evolution will depend on a large number of unknowns (including the development of the COVID-19 pandemic in the region, local regulations, available technology and clients' buy-in). Moreover, the stickiness of WAHA may differ from country to country, as per local regulations and available infrastructure. For instance, Frost & Sullivan expects that WAHA adoption will be stronger in Chile and Colombia and weaker in Peru and Jamaica.

Growth Opportunities and Calls to Action

Many CXSPs are struggling to find and materialize new growth opportunities, so Frost & Sullivan identified some of the best practices that most innovative companies are leveraging in this market. The following growth opportunities and market trends are expected to play a prominent role in the market's evolution. Consequently, those providers looking to ensure their growth pipeline in the marketplace should include these actions in their competitive strategies.



Source: Frost & Sullivan

- AI & Automation, New Avenues for Growth.** Automation and AI-based tools are currently transforming the CX outsourcing services landscape, and their relevance in the market is only expected to increase. Driving brand positioning and messaging around innovation and digital transformation will be key to vendor success in a market that has not always rewarded change and transformation in the past. Providers must develop compelling business innovation and transformation storyboards at the user, team, department, and company levels as well as for specific use cases and industry verticals.
- WAHA Done Right.** The COVID-19 pandemic forced providers to adopt WAHA programs rapidly. As most providers needed to transition a significant proportion of their agents to a remote environment quite abruptly (in a matter of days), not all of the necessary processes, people, security measures and technology were put in place in time to optimize these programs. As a result, there is a clear window of opportunity to improve most WAHA programs available in CALA from several standpoints, including technology, agent engagement, and operational KPIs. Done well, the benefits of WAHA are vast, as explained in the previous section.

- **Nearshore.** The nearshore² segment has been outgrowing the overall CALA market for almost a decade, accounting for 31.1% of the total revenue in 2019 (it was 16.6% in 2013). Providers focusing on nearshore have exhibited significantly higher growth rates than those only set to serve the domestic CALA market. Moreover, as The Philippines's business process outsourcing (BPO) industry struggled to cope with the challenges of the pandemic, many U.S. clients suffered from significant delivery issues. This situation is expected to lead contracting companies to find alternative locations (such as CALA) to reduce risks. The acceleration of risk-diversification strategies from U.S. companies is expected to drive nearshore growth in 2021.
- **Business Continuity.** The COVID-19 pandemic has demonstrated the importance of having a strong business continuity plan (BCP). As the possibility of a second wave of COVID-19 or a different contingency is real, companies must be prepared to adapt quickly to abnormal conditions. The effectiveness in dealing with the pandemic and maintaining business continuity has proven fundamental to retain existing customers and gain new clients. Having a robust BCP is expected to play an increasingly important role in the competitive strength of any CXSP.
- **Security as a Competitive Weapon.** Information security is essential in this new normal. Before this pandemic, it was increasingly important to implement strict physical and cybersecurity measures in brick and mortar contact centers; now, with remote work, a cybersecurity strategy has become essential. In this new complex context, companies must carefully analyze the digital tools they use and introduce more rigorous security and privacy measures in their CX procedures to increase the value per dollar provided to clients and even become a security broker and advisor. Before COVID, security was a "nice to have"; today, it is an absolute imperative and Frost & Sullivan expects it to consolidate as a weapon of competitive differentiation in the years to come.
- **Digital Sales.** The traditional model for outbound sales is rapidly changing for CXSPs. A robust digital presence is essential for companies that want to remain relevant to their customers (who have shifted a significant part of their shopping online). Advanced analytics allow companies to understand customers and offer them personalized advertisements. By targeting the right audience, lead generation increases, and the chances that the prospect is willing to be contacted directly by a sales agent also expand. This also significantly increases sales conversion rates.

² Nearshore revenue is generated by serving U.S. consumers from delivery centers located in CALA. This business is widely spread in CaCar, Mexico and Colombia.

COMPETITIVE ANALYSIS AND ATENTO'S POSITION IN CALA

As the COVID-19 pandemic had different effects on distinct market participants, Frost & Sullivan expects to see clear winners and losers at the end of this pandemic. While some CXSPs are experiencing solid growth and winning new clients, others are struggling to operate. This situation is likely to lead to a concentration of the CX outsourcing services landscape, and the mergers and acquisitions (M&A) activity will intensify in 2021 and beyond. Moreover, the use of technologies (e.g., artificial intelligence, cognitive computing, automation, and analytics) to streamline the CX has proven fundamental. Following this trend, many CXSPs are also opening "digital divisions" or "innovation departments" and investing a significant amount of resources into strengthening their digital value proposition.

The CALA market is mostly dominated by multinational CXSPs. Throughout the past five years, M&As have worked toward the consolidation of the market; thus, global CXSPs accounted for 64.8% of the market in 2019, while they attained 41.5% in 2010—an increase of more than 23 percentage points in only nine years.

Top 5 Market Participants Revenue Share per Country/Region – Customer Experience Outsourcing Services Market, CALA, 2019

	Market Participant 1°	Market Participant 2°	Market Participant 3°	Market Participant 4°	Market Participant 5°
CALA	15.2% (Atento)	10.7%	4.9%	3.4%	2.7%
Aggregated Domestic Demand ³	22.1% (Atento)	7.7%	6.3%	4.1%	3.5%
LATAM-Shore	18.8% (Atento)	14.1%	13.3%	5.6%	4.8%
Argentina	19.2% (Atento)	14.4%	13.6%	11.4%	7.8%
Brazil	27.9% (Atento)	8.5%	8.2%	7.3%	6.2%
CaCar	9.4%	8.7%	8.5%	7.6%	7.0%
Chile	26.7% (Atento)	13.8%	11.7%	6.8%	5.4%
Colombia	17.8%	10.3%	8.6%	6.8% (Atento)	6.7%
Mexico	18.2%	12.2% (Atento)	8.5%	4.9%	3.3%
Peru	23.4%	23.1% (Atento)	9.4%	8.1%	5.7%

Source: Frost & Sullivan

Atento kept the first position in the overall CALA market in 2019, accounting for 15.2% of the total revenue. The company also leads the Argentinian, Brazilian, and Chilean markets and the domestic segments in Mexico, Peru and CaCar, while playing a prominent role in Colombia.

³ The LATAM Aggregated Domestic Demand (ADD) is a different type of segmentation of the Latin American customer experience outsourcing services market and is not to be considered a separate region. It includes Argentina, Brazil, Chile, Colombia, Mexico, Peru and CaCar as contracting regions, whether the demand is fulfilled locally or through LATAM-Shore activities. It also includes a small business of customer experience services provided to other LATAM countries (Bolivia, Ecuador, Paraguay, Uruguay, and Venezuela). However, these countries are not considered fulfilling regions in the analysis and any services that may be fulfilled on those countries and provided to Argentina, Brazil, Chile, Colombia, Mexico, Peru and CaCar are not included (as of today, there is a low number of services being provided from Paraguay, Bolivia and Ecuador to the rest of Latin America). There is not a significant demand from LATAM countries fulfilled by non-Latin American CXSPs.

Competitive Analysis per Country/Region - 2019

Aggregated Domestic Demand

The CALA Aggregated Domestic Demand (ADD) includes Argentina, Brazil, Chile, Colombia, Mexico, Peru and CaCar as contracting regions, whether the demand is fulfilled locally in each country or through LATAM-Shore activities. This segment experienced a 3.9% revenue decrease in 2019, year over year, as some countries experienced poor performances in their domestic business due to an economic downturn and the devaluation of some CALA currencies against the U.S. dollar. The COVID-19 pandemic negatively impacted this segment in 2020. Accordingly, Frost & Sullivan expects it to decrease at a -0.4% CAGR from 2019–2025 and attain \$6.71 billion by 2025. Atento is the market leader, providing CX outsourcing services to Latin American customers, almost tripling the market share of its closest competitor.

LATAM-Shore

The provision of services to CALA customers from delivery centers located in other countries in the region has been one of the fastest-growing market segments during the past 10 years. In 2019, the LATAM-Shore portion of the ADD increased to 6.2% of this market. It is expected to increase its participation to 8.4% by 2025. Consequently, the LATAM-Shore segment is forecasted to expand at a 4.8% CAGR from 2019–2025. Atento increased its market share to 18.8% of the revenues generated in 2019 (compared to 16.2% in 2018) and kept the first position, fulfilling regional demand from delivery centers in Peru, Colombia, CaCar and Mexico.

Argentina

In 2019, the Argentinean market experienced growth in terms of revenue in local currency (40.8%), although this mark is placed below the national inflation rate for 2019 (53.8%, according to the National Statistics and Census Office (INDEC)). However, the market briskly decreased 17.8% in revenue in U.S. dollars after being hit by the Argentinean peso's devaluation against the U.S. dollar (71.3%). Argentina has gone through a difficult situation during the past decade due to rising internal costs and increasing inflation rates. As a result, market participants in Argentina serve domestic customers exclusively, with the exception of a few offshore customers that generate a minor business impact. Atento led the Argentinean market with 19.2% of share in 2019.

Brazil

The Brazilian market exhibited positive growth rates in local currency during 2019 (0.9%) but declined when measured in USD (-6.6%) due to the devaluation of the real against the U.S. dollar in 2019. Frost & Sullivan expects a similar pattern for 2020 as the market is projected to grow its revenues by 0.4% in local currency but decrease in U.S. dollars (25%). The fact that the market is not decreasing during 2020 amid the pandemic should be perceived as a positive sign and a consequence of its poor performance during 2019. Atento holds the top position in the Brazilian market, with 27.9%—its highest participation in the region.

CaCar

CaCar is the fastest-growing region in Latin America and has grown by 8.7% to reach a revenue of \$2.75 billion in 2019. This region—and the major players located in it—is heavily focused on providing nearshoring services due to the noticeable advantages most of its countries offer to U.S. customers,

such as cultural affinity, similar time zones, geographical proximity and English-speaking workers available at low costs. CaCar is the only market in the region where Atento is not within the top five competitors because it is led by companies with a strong presence in the United States. However, Atento holds first place in the domestic business in CaCar, fueled by its strong footprint in Puerto Rico, El Salvador and Guatemala.

Chile

The Chilean market experienced growth in 2019 in terms of revenue in local currency, agents, and workstations. This market is mostly focused on domestic accounts, while less than 5% of the total business depends on international clients (including LATAM-Shore and Spain). Compared to other markets such as Peru and Argentina, Chile was not as negatively impacted by the retraction of the telecommunications vertical because a significant part of the basic transactional telco services was already offshored to countries such as Colombia and Peru. Atento held the first position and exhibited a market share of 26.7%, almost doubling its next competitor's share.

Colombia

The Colombian market exhibited strong growth in 2019 in terms of revenue (20.3% in local currency and 8.3% in U.S. dollars), compared to the year before. Colombia has followed a solid growth path in the past five years with an appealing mix of cost-competitiveness, government support and high-quality standards in the marketplace. The telecommunications vertical in Colombia has one of the lowest market shares (31.4%) compared to the rest of the CALA countries (even though Colombia serves Colombian telcos and others from abroad). This is because the Colombian outsourcers have successfully penetrated other industry verticals, such as banking and financial services (BFS), healthcare, born-digital, government, high tech, and utilities and energy. Colombian CXSPs have developed strong businesses on the domestic front, in the United States, Spain, and the LATAM-Shore space. Atento held the fourth position in terms of revenues in this market.

Mexico

The Mexican market exhibited positive revenue growth rates (3.8% in local currency and 3.7% in U.S. dollars) in 2019. Healthcare, banks and financial services, and high tech exhibited the highest growth rates in 2019. Meanwhile, telecommunications suffered from double-digit revenue decline, YoY. Nearshoring continues to be a fundamental revenue stream for the overall Mexican market, accounting for nearly 40% of its revenues in 2019. Mexico accounts for the largest piece of the nearshore market at 17.8%. Atento is second in terms of market share, with 12.2% of the overall revenues, but holds the first position when only considering domestic accounts.

Peru

Despite exhibiting positive growth rates in 2019 (4.4% in local currency and 3.0% in U.S. dollars), the Peruvian market performed below previous expectations, mostly due to the volume decline in the telecommunications vertical and increased competitive pressure in the LATAM-Shore segment. Peru has the highest vertical concentration in the telecommunications industry (70.0%) within the CALA customer experience outsourcing services market, making the market especially sensitive to the automation of contact center services by telcos. Atento enjoyed a strong position in Peru (23.1% in market share) in 2019, sustained by close to 10,000 agents based in the biggest contact center campus in the region—situated in Lima—as well as in other delivery centers in Lima and Trujillo.

FINAL REMARKS

The CX outsourcing landscape in CALA had mixed reactions to the COVID-19 pandemic. While the negative economic impact is undeniable and the rapid transition to WAHA generated unexpected cash-flow pressures, the overall market has responded much better than other economic sectors. Part of this relative success is because the entire sector became a strategic asset for companies as social distancing measures throughout the region limited how consumers and brands interacted in this new normal. This created a massive change in how providers are currently being perceived in the economy and added an extra layer of importance to the way companies managed their remote customer interactions.

Moreover, as most providers were forced to rapidly transition to a mostly unexplored (in CALA) WAHA modality, the overall market passed the test graciously. However, this process was neither easy nor free. Massive investments, new technology and enhanced processes were put in place to address challenges. As a consequence, the CX outsourcing landscape has not only shown tremendous flexibility and plasticity but has also gained a lot in terms of professionalism and efficiency. This situation, coupled with a renewed interest in outsourcing and the widespread recognition of the CX as a competitive weapon, shows a bright future full of growth opportunities for those who rise to the task.



ABOUT ATENTO

Atento is the largest provider of customer relationship management and business process outsourcing (CRM BPO) services in Latin America and among the top five providers globally, based on revenues. Atento is also a leading provider of nearshoring CRM BPO services to companies that carry out their activities in the United States. Since 1999, the company has developed its business model in 13 countries where it employs 150,000 people. Atento has over 400 clients to whom it offers a wide range of CRM BPO services through multiple channels. Atento's clients are mostly leading multinational corporations in telecommunications, banking and financial services, health, retail and public administrations, among others. Atento's shares trade under the symbol ATTO on the New York Stock Exchange (NYSE). In 2019, Atento was named one of the World's 25 Best Multinational Workplaces and one of the Best Multinationals to Work for in Latin America by Great Place to Work®. For more information, visit www.atento.com.

ANNEX

Forecast Assumptions

- For this forecast, Frost & Sullivan has considered the currency exchange rates exhibited below. With the exception of Argentina, the exchange rate for the 2021 to 2025 period has been considered stable.
- In the case of Argentina only, a new exchange rate is projected for the entire forecasted period because a yearly devaluation of the Argentinean peso is widely expected in these years, along with high inflation rates.
- A general deterioration of the economic conditions in Latin America is expected for 2020, according to the Economic Commission for Latin America (ECLA) and the International Monetary Fund (IMF).
- This forecast assumes no major political changes, supplier mergers and acquisitions, and other events that could have a considerable impact on business.

Currency Exchange Rates

For reference, the following are the yearly average exchange rates used in Frost & Sullivan's analysis (local currency per 1 USD).⁴

Country	2018	2019	2020f	2021	2022	2023	2024	2025
Argentina	28,14	48,19	72,34	103,15	137,19	179,72	231,84	294,44
Brazil	3,65	3,95	5,28	5,28	5,28	5,28	5,28	5,28
CaCar	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
Chile	642,19	703,84	800,43	800,43	800,43	800,43	800,43	800,43
Columbia	2,955,34	3,281,35	3779,42	3779,42	3779,42	3779,42	3779,42	3779,42
Mexico	19,23	19,24	21,93	21,93	21,93	21,93	21,93	21,93
Peru	3,29	3,34	3,50	3,50	3,50	3,50	3,50	3,50

Methodology Notes

- The base year is 2019, and the forecast period is from 2020 to 2025.
- For this report, revenue is allocated to the fulfillment region and not to the region where the contract is signed. For example, if CXSP "X" signs a contract with a client in the United States and fulfills the services from its delivery centers in Mexico, then the revenue related to the fulfillment is allocated to Mexico.
- However, exclusively for the Offshore Markets breakdown, revenue allocation is for the country where the consumer is located. For example, if CXSP "Z" signs a contract with a company in the United States to provide services to customers located in Mexico, the revenue will be allocated to Mexico and not to the United States. Where the client is based and the contract is signed is irrelevant.
- All revenues and market share figures represent Frost & Sullivan estimates based on primary and secondary research and analysis. Because of rounding, percentages in charts and tables may not sum to 100%.

⁴ For CaCar, Frost & Sullivan collected revenue information in USD to simplify the analysis. Source: OFX.com, Oanda Currency Converter; Institute Monetary Fund (IMF); World Bank; Economic Commission for Latin America (ECLAC); several central banks; Frost & Sullivan.

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