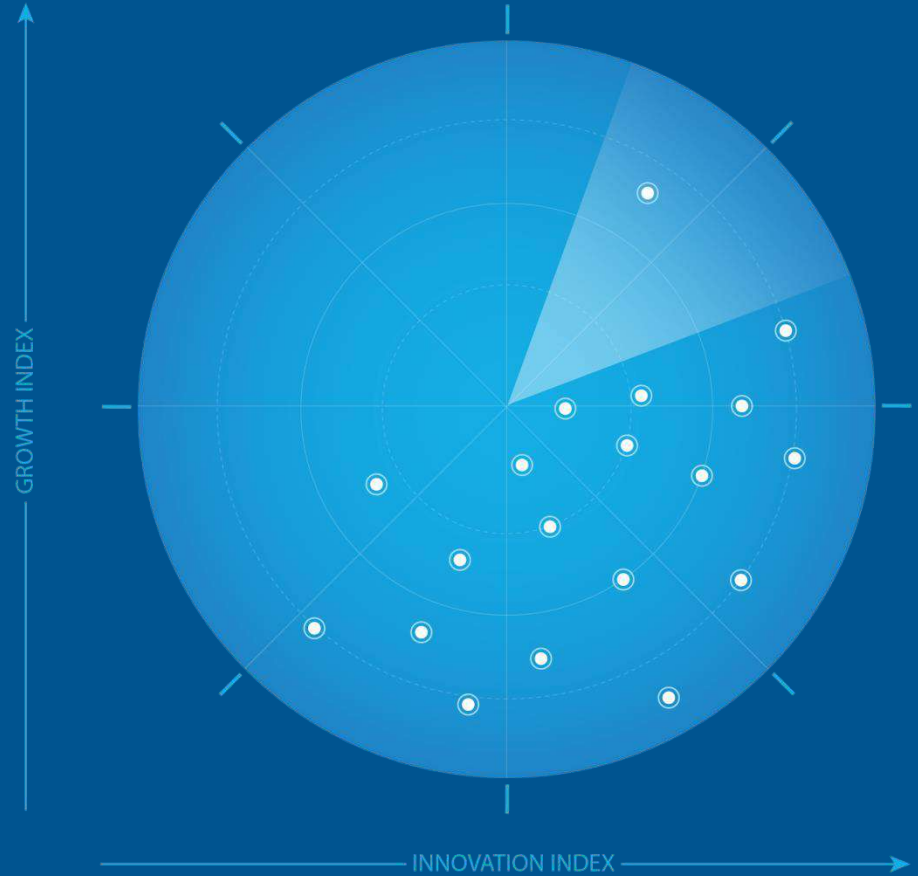


# Frost Radar™: Customer Experience Outsourcing Services Market in Latin America, 2020

A Benchmarking System to Spark Companies to Action—Innovation that Fuels New Deal Flow and Growth Pipelines

Global Information and Communication Technologies Research Team at Frost & Sullivan



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# Strategic Imperative and Growth Environment



# Strategic Imperative

- Customer experience (CX) is becoming the primary factor impacting customer loyalty and the key differentiator deciding a business' fate. Demand for outsourced CX services is growing steadily in today's consumer-centric marketplace as customers demand more personalized, relevant, proactive, and engaging experiences. A superior end-to-end CX journey builds loyalty and provides upselling opportunities.
- Voice-based interactions remain the bulk of the customer experience outsourcing (CXO) business. Yet, this service (voice) has suffered from commoditization. Hence, it cannot provide a competitive edge.
- As organizations increasingly realize this, they pay less attention to cost-related variables (such as average handling time (AHT)) and focus more on customer-related metrics (ex. Net Promoter Score (NPS)). Therefore, companies are increasingly defining incentives to customer experience service providers (CXSPs) based on metrics such as NPS and customer satisfaction.
- Thus, CXSPs are no longer large contact centers with agents simply answering queries, taking orders, and resolving customer concerns via a phone. They are evolving into customer engagement and management centers that support omnichannel communications and leverage the latest technological advances to enhance CX.

Source: Frost & Sullivan

# Strategic Imperative (continued)

- Most providers are linking their competitive strategy to offering digital solutions and positioning themselves as digital transformation enablers and trusted advisors. Contracting companies are actively demanding CXSPs to drive digital transformation of their CX processes, and expecting nothing short of effortless customer journeys and delighted customers.
- Many CXSPs developed digital divisions or innovation departments and invested a significant amount of resources in strengthening their digital value proposition. Consequently, providers are no longer only recruiting young, inexperienced workers to perform as agents. They are also intensively recruiting engineers, data scientists, software developers, design thinking & agile experts, psychologists, and other professionals from several careers.
- Organizations rely on CXSPs to use automation and self-service to generate cost savings and reduce errors. The use of AI (artificial intelligence), RPA (robotic process automation), chat and voice bots, intelligent agents, natural language process, and machine learning is becoming a must for CXSPs that want to remain relevant for existing and new customers.
- As customers become comfortable interacting with automated interfaces, live agents will increasingly perform more complex tasks and transactions that require unique human capabilities, such as empathy, negotiation skills, use of different tones of voice, and emotional intelligence. In this context, having highly emotionally-intelligent agents will increasingly constitute a competitive differentiator.

Source: Frost & Sullivan

# Strategic Imperative (continued)

- Companies are increasingly looking for agents who can deliver positive and satisfying customer experiences. The world of CX revolves around people. In addition to the best technologies and optimized processes, the way agents behave is a pivotal factor in improving customer relationships. For this reason, the Employee Experience (EX) is as crucial as the CX; without happy agents, it is challenging to achieve satisfactory results for the customer. Therefore, to provide a superior CX, companies must create the conditions that enable agents to give the best of themselves.
- Born-digital companies are a hot topic in the LATAM CXO market. Most major CXSPs are looking to attain businesses with these rapidly-growing companies. Many providers are dedicating resources to acquire and manage clients with born-digital organizations, as these companies demand more agile responses from their providers.
- The LATAM CXO services market was significantly hit by the pandemic in 2020. However, the negative impact was not as significant as in other economic sectors. Some positive trends were accelerated, bringing renewed business prospects. Social distancing regulations across the region did not allow consumers to visit shopping malls and physical stores, thus leaving the remote connection as the only way to engage with brands. This situation generated significant growth opportunities for many CX and BPO vendors and elevated the status of the CXSPs in the economy. Moreover, as people spent more time isolated in their homes, they yearned for human connection and reached out more often to brands to speak with human agents.

Source: Frost & Sullivan

# Impact of COVID-19

- The COVID-19 pandemic impacted the entire customer experience service industry, but it has not affected all providers in the same way. For instance, those CXSPs focused on providing services to the telecommunications, high tech, born-digital, and healthcare industries performed better than others with extensive travel and hospitality accounts or manufacturing activities. Similarly, outbound activities suffered the most significant cuts, while inbound customer service and technical support in some cases experienced considerable growth. Global providers with operations in Asia or Europe were aware of the situation first. They had more time to coordinate and prepare a proper response and a successful transition to a remote environment or Work-at-Home-Agent (WAHA).
- Frost & Sullivan expects to see clear winners and losers at the end of this pandemic. While some CXSPs are experiencing substantial growth and winning new clients, others are struggling even to operate. This situation is likely to lead to a greater concentration of CX outsourcing service providers and mergers & acquisitions (M&A) activity and will likely intensify in 2021 and beyond.
- Due to social distancing regulations and lock-downs that began in March 2020, LATAM providers were forced to transition to a WAHA model abruptly. As a result, in 2020, 65.3% of the outsourced agents worked remotely.

Source: Frost & Sullivan

# Impact of COVID-19 (continued)

- Since the transition to WAHA was abrupt in many cases, many CXSPs could not set all the necessary security measures to minimize risks and ensure compliance with industry-specific certifications such as Payment Card Industry Data Security Standard (PCI DSS) and Health Insurance Portability and Accountability Act (HIPAA). Yet, as operating remotely becomes the norm, security measures for WAHA are becoming paramount. Clients are starting to demand the use of advanced technologies, such as facial recognition, biometrics, double-factor authentication, video surveillance. Frost & Sullivan predicts that security will consolidate as a strong competitive weapon in the coming years.
- Frost & Sullivan expects CXSPs to see an escalation in the volume of new business opportunities as more companies appreciate the advantages of outsourcing processes outside the core of their business. However, the field where tomorrow's competitive battle will take place will be different from what we were accustomed to pre-pandemic. The future will become hybrid, incorporating elements of various environments with a mix between WAHA and brick and mortar and greater adoption of asynchronous communications, self-service, and digital channels.
- Success for BPOs in tomorrow's marketplace will transpire for those who can build an EX of excellence, leverage automation and AI to increase customer value, build a secure, cloud-based practice, and transform to take advantage of the opportunities of the digital economy. The key to this process is that technology has become the key to providing relevant services to clients and, therefore, a fundamental competitive differentiator. In this framework, having the right strategic partner to propel your company along the transformation path can be the difference between a prosperous business and a declining one.

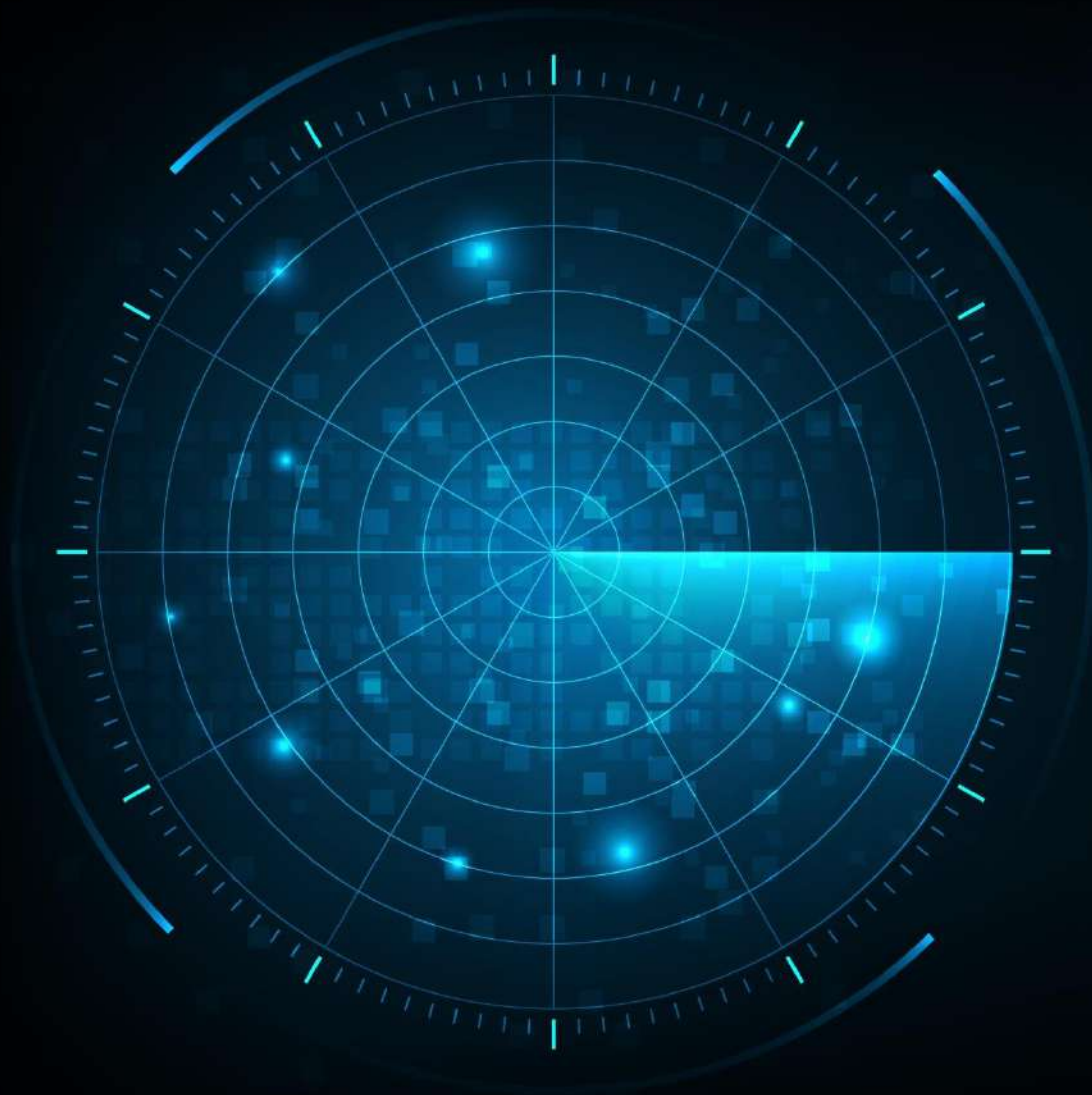
Source: Frost & Sullivan

# Growth Environment

- The CXO services market in CALA attained \$10.46 billion in revenue in 2019, representing a 0.5% increase from 2018. This stagnated performance was mostly due to the automation of many interactions by telecom companies, particularly in Brazil. This was partially offset by the solid performance of companies in Central America and the Caribbean (CaCar), which grew 8.7% year-over-year [YoY]), and Colombia (8.3%).
- The market exhibited negative growth rates in 2020 but will grow in the forthcoming years. This growth will be due to a consolidated offshore segment and the recovery of the local markets. However, the rise and fall of major CXSPs will be largely determined by their ability to play a more prominent role in their client's path through the digital transformation.
- Yet, many customers still perceive that most BPOs in LATAM are call center providers, lacking innovation and a business transformation ethos, and focusing on a cost-saving value proposition. Automation and AI-based tools are currently transforming the CX outsourcing services landscape, and their relevance in the market is likely to increase in the coming years. Driving brand positioning and messaging around innovation and digital transformation will be crucial to vendor success going forward in a market that has not always rewarded change and transformation in the past.
- Frost & Sullivan study related to this independent analysis:
  - [Automation and Work-at-Home Transforming the Customer Experience Outsourcing Services Market in Latin America and the Caribbean, Forecast to 2025](#)

Source: Frost & Sullivan

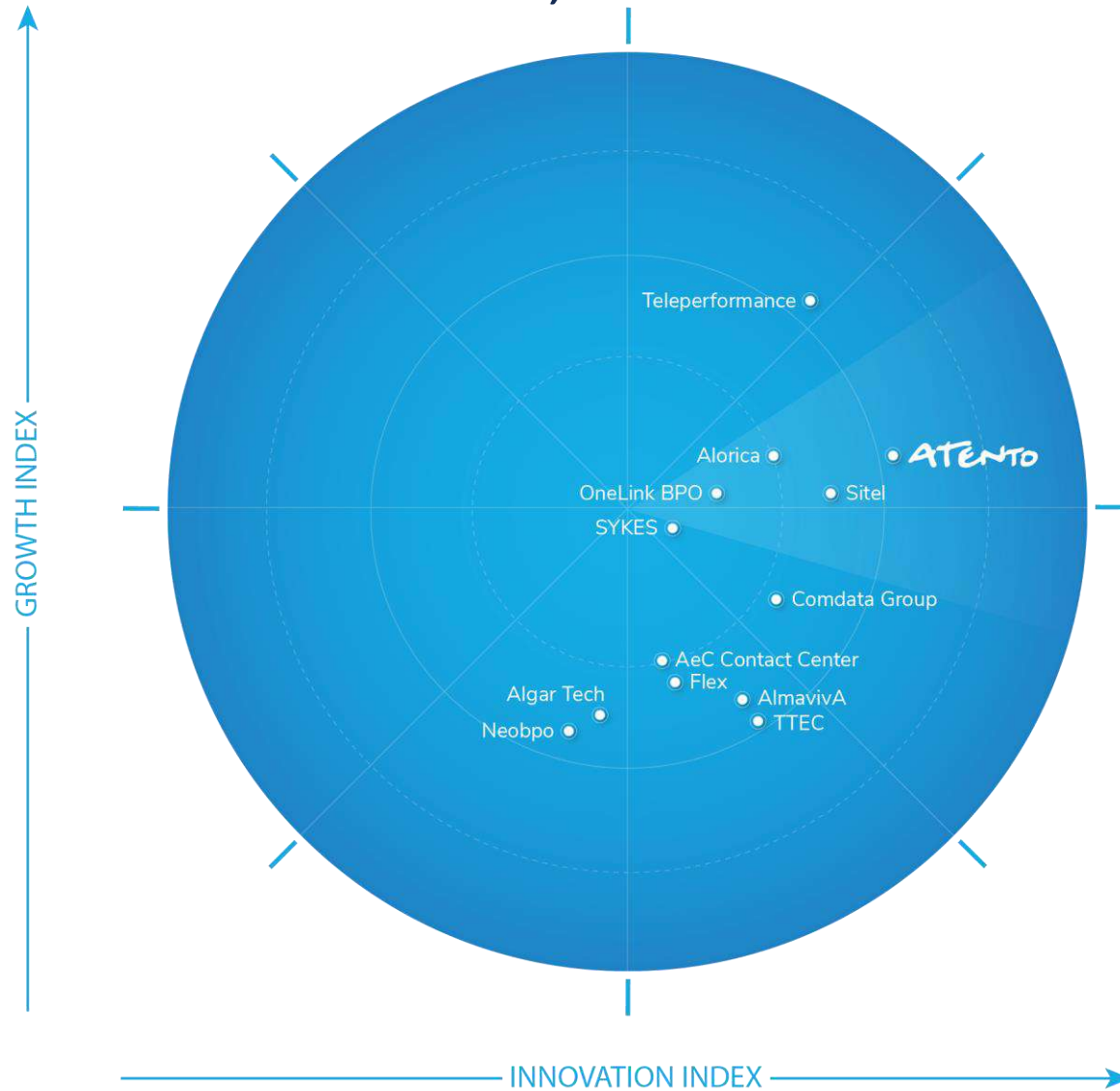




## Frost Radar™

**Customer Experience  
Outsourcing Services  
Market in Latin America,  
2020**

# Frost Radar™: Customer Experience Outsourcing Services Market in Latin America, 2020



Source: Frost & Sullivan

# Frost Radar™: Competitive Environment—Shifting Innovation Frontier

- The Customer Experience Outsourcing Services market is mature in Latin America. Consequently, competition is fierce, and most significant players have developed noteworthy innovation capabilities.
- Hence, most market participants in this Radar performed relatively well in the Innovation Index and scored above 3 out of 5. Yet, only three differentiated themselves based on their innovation and scored above 4 points: Atento, Sitel, and Teleperformance.
- Innovation leaders have the following in common:
  - Use real-time speech and text analytics to assist live agents while they are interacting with the customer
  - Leverage automation and AI capabilities to power self-service, bots, and virtual assistants
  - Develop remote work platforms to support a large percentage of their workforce through a secured and efficient environment
  - Maintain in-house training centers (a.k.a., universities) for faster and efficient agent training
  - Deploy customer journey mapping techniques across their client base to optimize touchpoints throughout the customer lifecycle
  - Leverage a mix of home-grown and third-party advanced technologies to transform CX-related processes digitally

Source: Frost & Sullivan

**Companies to Action**  
**Companies to be Considered First**  
**for Investment, Partnerships, or Benchmarking**

# Atento

## INNOVATION

- The company recently redesigned its service portfolio to deliver end-to-end solutions across the customer lifecycle using advanced technologies combined with live agents.
- It leverages cognitive technologies, natural language process, and AI for sentiment and interactions analysis.
- The end-to-end digital sales value proposition ranges from attraction, conversion, activation, and cross and up-sell.
- It is the first company in the BPO landscape to obtain the ISO 56,002 certification for innovation management.
- It is also the only company in the market to manage a start-up accelerator to leverage emerging technologies and methodologies.
- The company drives back and front office automation to boost efficiency and eliminate errors across operations.
- Atento developed a dedicated team for CX consulting and customer journey mapping.

## GROWTH

- Atento leads the market in terms of revenue. The company also maintains a prominent position in the Argentinian, Brazilian, Chilean, Mexican, and Peruvian markets.
- The company continually diversifies its client portfolio, adding companies from new industries and as such, attaining positive growth rates in most verticals.
- Atento has an impressive growth trajectory in strategic industries such as high tech, born-digital, and media and entertainment.
- It leverages the «War Room Design» methodology to streamline sales with existing and new clients.
- The company moves customers up in the queue according to their stress levels, which are classified based on voice recognition and machine learning.
- It has a large client base with existing long-term relationships, averaging a Customer Satisfaction Index of 88 points and a Net Promoter Score of 47.

## FROST PERSPECTIVE

- Atento led the Frost Radar in Innovation (score of 4.5 out of 5); it scored above average in the Growth Index.
- Atento is leveraging advanced technologies (such as AI, natural language process (NPL), analytics, intelligent virtual agents, and facial recognition) to streamline its products across customer care, sales, collections, and back office.
- With the largest employee count among CXO SPs (close to 115,000 agents at the end of 2019), Atento can quickly scale up to large operations in Latin America.
- The company aims to spur the digital transformation of the CX among its vast client base.
- It has state of the art security technology to power its WAHA solution (Atento @Home), including Multifactor Authentication, Biometrics, dedicated devices, and periodic identity verification.

Source: Frost & Sullivan

# Strategic Insights



# Strategic Insights

1

The CX landscape is changing rapidly. Organizations across the board realize the importance of delivering excellent customer service as a competitive weapon. Hence, the field is gaining more attention and greater priority for investments. The industry is becoming much more tech-intensive, as emerging tools are proving their power to create a seamless and effortless CX while at the same time significantly reducing costs across front and back end operations. The adoption of AI, advanced analytics, omnichannel capabilities, NPL, and streamlined security tools plays an increasing role in this competitive and dynamic market.

2

CXSPs 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.

3

The 2020 pandemic has underlined the importance of a sound business continuity plan. At the same time, it led most CXSPs to move over half of their agents to WAHA. As both providers and clients realize the benefits of remote work (reduced costs and increased flexibility), they are looking to maintain a significant portion of their workforce working remotely. Consequently, solid WAHA programs are expected to play an increasingly important role in tomorrow's competitive environment.

Source: Frost & Sullivan

# Strategic Insights (continued)

4

The massive adoption of WAHA has brought a spike in requests for improved security. The network security market progressed substantially in 2020. Advances in facial recognition, virtualized environments, multifactor authentication (MFA), and next-generation encryption have set the conditions for CXSPs to provide the necessary assurances to their clients to embrace a remote work approach.

5

The world of the CX revolves around people. In addition to the best technology and optimized processes, the way agents behave is what ultimately will define the customer's overall experience. Hence, employee experience (EX) is essential for high-quality CX: Without a committed, knowledgeable, and happy employee, positive and memorable customer interactions are unlikely. Research from Frost & Sullivan shows that 89% of executives understand that a strong EX leads to a better customer experience. EX is increasingly an area of focus for forward-thinking CXSPs.

6

As social distancing continues, the relationship between brands and consumers has become less face-to-face and more remote. This led to forward-thinking organizations enhancing their digital presence and customers embracing digital shopping like never before. CXSPs have a tremendous opportunity to enable their clients with digital marketing strategies and become their trusted partners in the digital sales realm.

Source: Frost & Sullivan





**Next Steps:  
Leveraging the  
Frost Radar™ to  
Empower Key  
Stakeholders**

# Significance of Being on the Frost Radar™

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Companies plotted on the Frost Radar™ are the leaders in the industry for growth, innovation, or both. They are instrumental in advancing the industry into the future.

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## **GROWTH POTENTIAL**

Your organization has significant future growth potential, which makes it a Company to Action.

## **BEST PRACTICES**

Your organization is well positioned to shape Growth Pipeline™ best practices in your industry.

## **COMPETITIVE INTENSITY**

Your organization is one of the key drivers of competitive intensity in the growth environment.

## **CUSTOMER VALUE**

Your organization has demonstrated the ability to significantly enhance its customer value proposition.

## **PARTNER POTENTIAL**

Your organization is top of mind for customers, investors, value chain partners, and future talent as a significant value provider.

Source: Frost & Sullivan

# Frost Radar™ Empowers the CEO's Growth Team

## STRATEGIC IMPERATIVE

- Growth is increasingly difficult to achieve.
- Competitive intensity is high.
- More collaboration, teamwork, and focus are needed.
- The growth environment is complex.

## LEVERAGING THE FROST RADAR™

- The Growth Team has the tools needed to foster a collaborative environment among the entire management team to drive best practices.
- The Growth Team has a measurement platform to assess future growth potential.
- The Growth Team has the ability to support the CEO with a powerful Growth Pipeline™.

## NEXT STEPS

- **Growth Pipeline Audit™**
- **Growth Pipeline as a Service™**
- **Growth Pipeline™ Dialogue with Team Frost**

Source: Frost & Sullivan

# Frost Radar™ Empowers Investors

## STRATEGIC IMPERATIVE

- Deal flow is low and competition is high.
- Due diligence is hampered by industry complexity.
- Portfolio management is not effective.

## LEVERAGING THE FROST RADAR™

- Investors can focus on future growth potential by creating a powerful pipeline of Companies to Action for high-potential investments.
- Investors can perform due diligence that improves accuracy and accelerates the deal process.
- Investors can realize the maximum internal rate of return and ensure long-term success for shareholders.
- Investors can continually benchmark performance with best practices for optimal portfolio management.

## NEXT STEPS

- **Growth Pipeline™ Dialogue**
- **Opportunity Universe Workshop**
- **Growth Pipeline Audit™ as Mandated Due Diligence**

Source: Frost & Sullivan

# Frost Radar™ Empowers Customers

## STRATEGIC IMPERATIVE

- Solutions are increasingly complex and have long-term implications.
- Vendor solutions can be confusing.
- Vendor volatility adds to the uncertainty.

## LEVERAGING THE FROST RADAR™

- Customers have an analytical framework to benchmark potential vendors and identify partners that will provide powerful, long-term solutions.
- Customers can evaluate the most innovative solutions and understand how different solutions would meet their needs.
- Customers gain a long-term perspective on vendor partnerships.

## NEXT STEPS

- **Growth Pipeline™ Dialogue**
- **Growth Pipeline™ Diagnostic**
- **Frost Radar™ Benchmarking System**

Source: Frost & Sullivan

# Frost Radar™ Empowers the Board of Directors

## STRATEGIC IMPERATIVE

- Growth is increasingly difficult; CEOs require guidance.
- The Growth Environment requires complex navigational skills.
- The customer value chain is changing.

## LEVERAGING THE FROST RADAR™

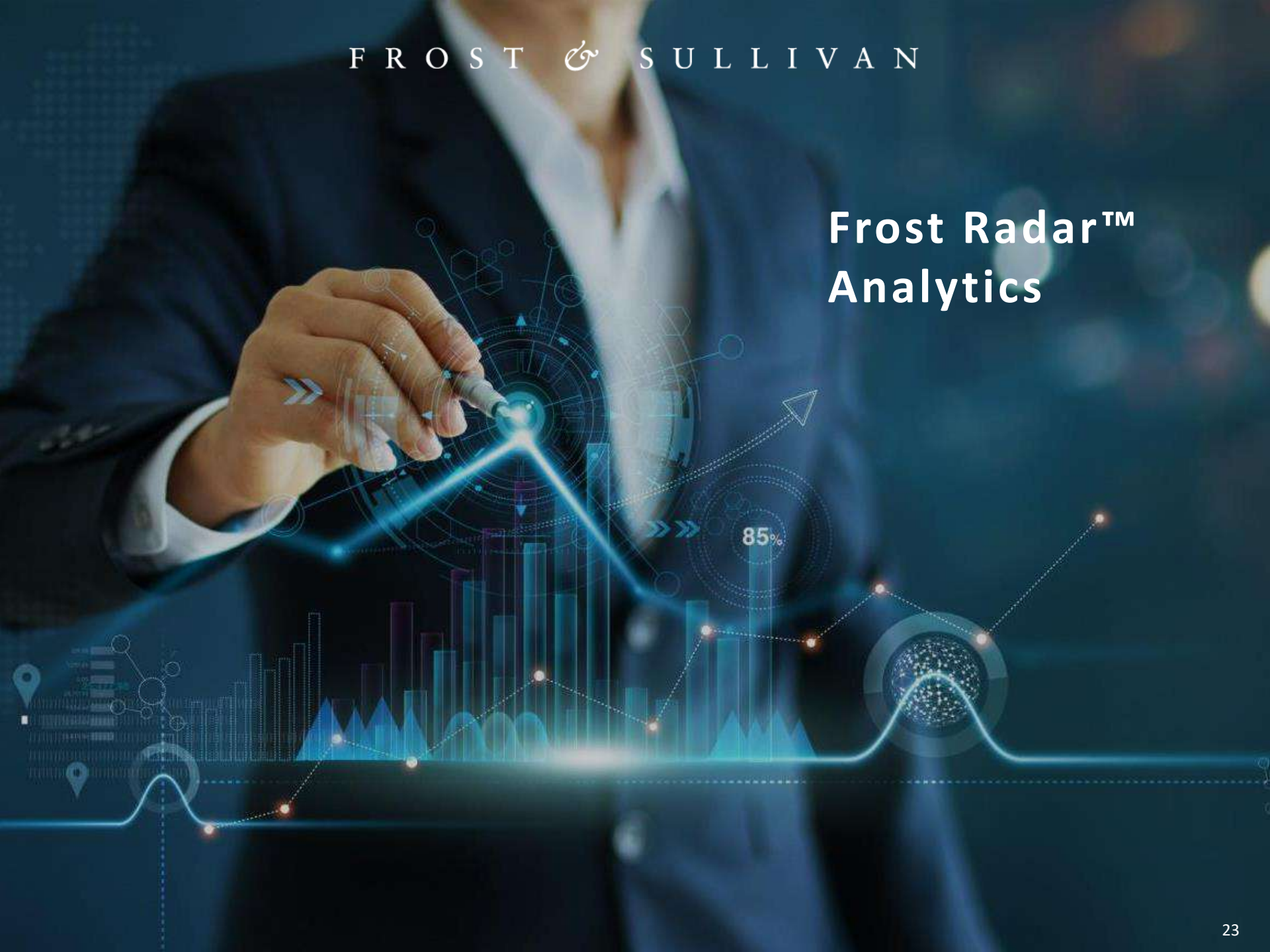
- The Board of Directors has a unique measurement system to ensure oversight of the company's long-term success.
- The Board of Directors has a discussion platform that centers on the driving issues, benchmarks, and best practices that will protect shareholder investment.
- The Board of Directors can ensure skillful mentoring, support, and governance of the CEO to maximize future growth potential.

## NEXT STEPS

- **Growth Pipeline Audit™**
- **Growth Pipeline as a Service™**

Source: Frost & Sullivan

# Frost Radar™ Analytics



# Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

## VERTICAL AXIS

**Growth Index (GI)** is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline™ system; and effective market, competitor, and end-user focused sales and marketing strategies.

## GROWTH INDEX ELEMENTS

- **GI1: MARKET SHARE (PREVIOUS 3 YEARS)**  
This is a comparison of a company's market share relative to its competitors in a given market space for the previous 3 years.
- **GI2: REVENUE GROWTH (PREVIOUS 3 YEARS)**  
This is a look at a company's revenue growth rate for the previous 3 years in the market/industry/category that forms the context for the given Frost Radar™.
- **GI3: GROWTH PIPELINE™**  
This is an evaluation of the strength and leverage of a company's growth pipeline™ system to continuously capture, analyze, and prioritize its universe of growth opportunities.
- **GI4: VISION AND STRATEGY**  
This is an assessment of how well a company's growth strategy is aligned with its vision. Are the investments that a company is making in new products and markets consistent with the stated vision?
- **GI5: SALES AND MARKETING**  
This is a measure of the effectiveness of a company's sales and marketing efforts in helping it drive demand and achieve its growth objectives.



# Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

## HORIZONTAL AXIS

**Innovation Index (II)** is a measure of a company's ability to develop products/services/solutions (with a clear understanding of disruptive Mega Trends) that are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs.

## INNOVATION INDEX ELEMENTS

- **II1: INNOVATION SCALABILITY**

This determines whether an organization's innovations are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.

- **II2: RESEARCH AND DEVELOPMENT**

This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.

- **II3: PRODUCT PORTFOLIO**

This is a measure of a company's product portfolio, focusing on the relative contribution of new products to its annual revenue.

- **II4: MEGA TRENDS LEVERAGE**

This is an assessment of a company's proactive leverage of evolving, long-term opportunities and new business models, as the foundation of its innovation pipeline. An explanation of Mega Trends can be found [here](#).

- **II5: CUSTOMER ALIGNMENT**

This evaluates the applicability of a company's products/services/solutions to current and potential customers, as well as how its innovation strategy is influenced by evolving customer needs.

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