



Customer Experience Outsourcing Services Market in Latin America and the Caribbean

AI-based Technologies Bring New Growth Opportunities for Service Providers

FROST & SULLIVAN WHITEPAPER



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Key Findings

The Latin American and the Caribbean (CALA) market experienced high single-digit growth in 2021 and is forecast to achieve positive revenue growth rates in the forthcoming years, driven mainly by nearshore and LATAM-Shore activities, partially offset by mild performances of the domestic segment.

Improving the customer experience (CX) is the top business goal priority in the Frost & Sullivan survey of 1,120 IT decision-makers for the third year in a row. Organizations across the board realize that providing a superior CX is now a must for any company that wants to stay relevant in its market.

High inflation rates, rising costs, turbulent future economic outlook, and the growing complexity of running CX operations with optimal results compel organizations to **outsource their CX capabilities**.

Companies expect continuous process enhancement and constant innovation from their providers. Organizations must adapt to changing market conditions and seek to partner with nimble CX vendors to speed up their time to market. The right mix of people, processes, and technology is paramount to success and will help providers bring reliable and agile transformation capabilities to their clients.

An increasing number of organizations are seeing contact centers as profit centers that open up new opportunities for cross- and up-selling. Companies also realize that conversion is exceptionally high when they harness the natural touchpoints customers have with them (e.g., at contract renewal junctures or during billing cycles), typically involving the contact center. Therefore, **contact centers are essential to an effective revenue growth strategy**.

As more customer interactions continue to be automated, calls that reach live agents grow in complexity. This is leading to an increase in AHT (Average Handle Time). To compensate for this, **companies are improving agent productivity by providing the right tools and support**, such as real-time recommendations, next-best-thing suggestions, and intelligent routing.

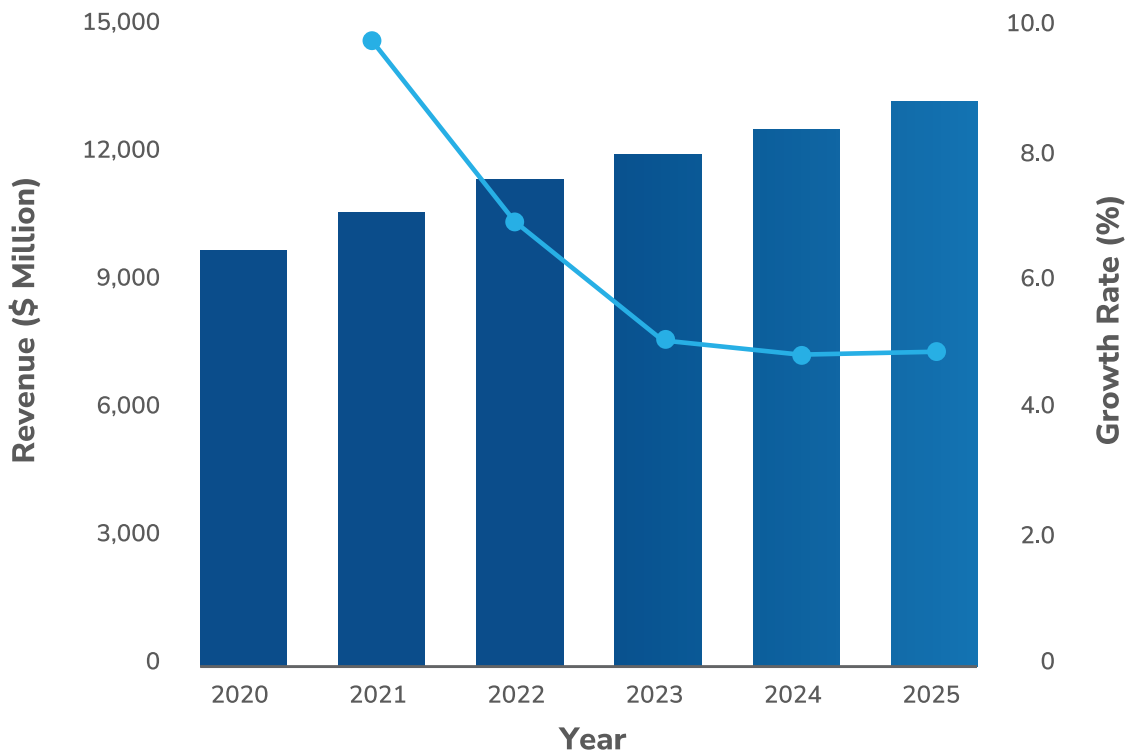


Market Overview

The CX outsourcing services market in CALA attained \$10.66 Billion in revenue in 2021, which represents a 9.7% increase compared to 2020. The high growth experienced this year was driven mainly by nearshore activities (servicing U.S. customers), and LATAM-shore (servicing LATAM customers out of other LATAM countries), as well as other international markets (Canada, and Spain and other countries in Europe). This solid performance was partially offset by declining or low-growth domestic markets, especially in Brazil and Chile.

Moving forward, this market is forecast to experience a 6.9% revenue growth in 2022 and to slightly decrease its growth rates in the forecast period and attained \$15.15 Billion in 2028.

CX Outsourcing Services Market: Revenue Forecast, CALA



Source: Frost & Sullivan



Hot spots in the CX Outsourcing Arena



During 2021, there was a massive uptake of **born-digital companies**, driving massive growth in the CX Outsourcing arena for the forthcoming years. The acceleration in digital and technological capabilities of CX outsourcers is driving the interest of these companies to partner with them. In addition, born-digital organizations are mostly challenged by how to achieve high growth cost-effectively. These companies tend to demand that CX outsourcers deliver high consistency, optimal customer service, and excellent data management capabilities and can serve many markets and languages.



The fastest-growing vertical in the 2021/2028 period is **travel & hospitality**. This industry is experiencing a rapid recovery after the obstacles it suffered from the COVID pandemic and related travel restrictions in 2020. Both airlines and hotels are exhibiting healthy growth rates and are expected to drive demand for outsourcers in the forthcoming years.



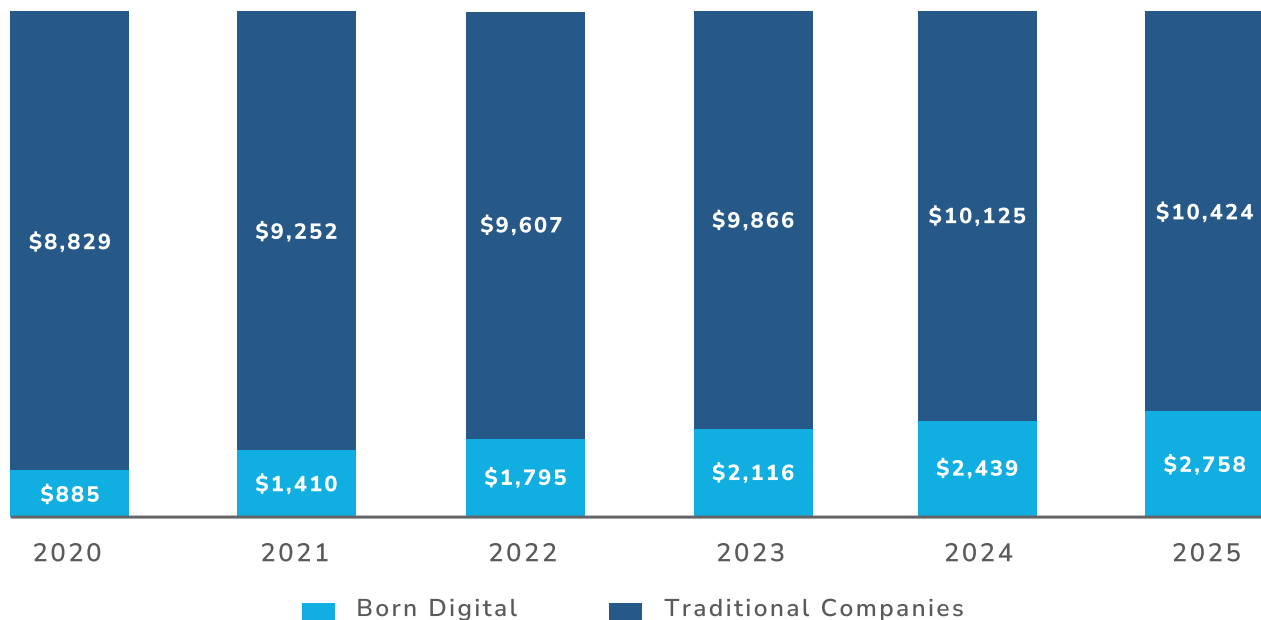
The most significant trend in terms of verticals is the continued decline of the **telecom industry**'s share of CX outsourcing services revenues. This long-term trend has been taking place for the past 7 to 10 years and is expected to continue (at a slower pace) during the forecast period. Both telcos and service providers are contributing to this decline. While major telecom companies heavily invest in automation and self-service technologies to deflect traffic from the contact center, many outsourcers seek businesses in other industry verticals to 1) diversify their client portfolio and 2) increase their profit margins. Additionally, the telecom industry exhibits a higher level of outsourcing than other verticals, which limits the possibilities of new businesses in this landscape.

1 Born digital are companies that base their business on the Internet and digital technologies. This segment includes companies from eCommerce, transportation, media and entertainment, and many other fields. Examples include Amazon, Despegar, Uber, Globo, iFood (PedidosYa), and Netflix.



- Customer Service represents the bulk of the market and will continue to exhibit favorable growth rates in the forecast period, although slightly losing market share towards 2028. Sales are expected to be negatively affected by the ongoing cost of living increases and future economic turbulent times (i.e., IMF is alerting for a possible upcoming recession), coupled with more strict regional regulations, likely limiting activities (primarily but not restricted to Brazil). Meanwhile, other services are forecast to increase their market share towards 2028. Within this category, content moderation is proliferating, although its relative importance in the industry is still small. Digitalization is also driving the demand for “non-traditional” CX outsourcing services (i.e., digital customer journey design, RPA and automation development, application, data annotation, mobile app development, social media management). The pandemic has rapidly accelerated the transformation of market demands. Many CX service providers, particularly small-to-medium-sized outsourcers, are unprepared for this demand shift.

CX Outsourcing Services Market: Born Digital vs Traditional Companies Revenue Forecast, CALA

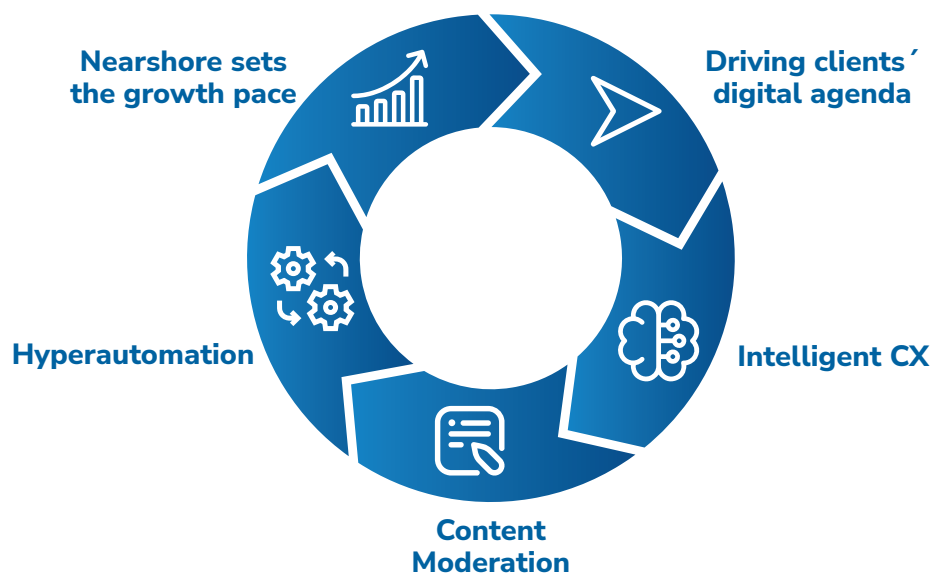


Source: Frost & Sullivan



Growth Opportunities and Calls to Action

Frost & Sullivan identified some of the best practices that the most innovative companies are implementing in this sector as an increasing number of CXSPs struggle to uncover and materialize new growth prospects. In the years to come, the market's development is anticipated to be significantly influenced by the growth opportunities and market trends listed below. As a result, these efforts should be part of the competitive strategies of providers aiming to achieve success in the marketplace.



- **Driving clients' digital agenda.** The landscape of CX outsourcing services is changing as a result of digital technologies, and their importance in the industry is only predicted to grow over the next several years. Businesses are choosing CX products and services created for the digital environment due to the growing relevance of digital-born firms and a new generation of young customers who prefer self-service. To appeal to the tech-savvy market, better understand their wants, and respond to them more quickly, outsourcers should collaborate with new economy businesses and hire younger individuals.



- **Intelligent CX.** Automation and AI-based tools are transforming the CX outsourcing service landscape, and their relevance in the market will likely increase further. Companies are looking to harness self-service and automated tools for simple transactions. This will help them decrease costs, reduce errors, save agent time, and eliminate repetitive tasks, reducing agent frustration. However, companies are concerned about automating “too much,” as customers might become frustrated when they cannot interact with the brand in the way they want. Organizations need to go deep and examine the entire customer journey to enhance it. The strategy must be “digital where needed” and “humans where wanted.” CX organizations must never sacrifice CSAT or NPS to automate more and decrease costs.
- **Content Moderation.** The digital economy’s diversity requires service providers to tailor trust and safety and content moderation solutions to fit each client’s unique needs. The primary considerations are business size, user-generated volume, brand reputation, customer privacy, risk potential, and impact on revenue. The growing volume and heterogeneous mix of content make the reviewing process complex. Furthermore, government regulations and increasing awareness of user privacy intensify the pressure to recognize and respond to malicious content quickly. Providers must stay ahead of client needs and industry trends. They must develop comprehensive automated moderation technology strategies to deal with the increasing volume of heterogeneous data.
- **Hyperautomation.** Hyperautomation is also substantially changing the game in CX. Successful cross-organizational automation strategies help organizations transition from compartmentalizing CX into application silos to viewing workflows and customer journeys as opportunities to modernize outdated rule-based self-service automation. Building automation layers that make use of libraries of reusable automations is one way to implement strategies that enable systems, applications, and third-party software to be accessible and seamlessly integrated to produce solutions.
- **Nearshore sets the growth pace.** Proving services to U.S. customers out of Latin America has been the key growth driver for this region during the last decade and is expected to replicate this behavior in the forthcoming years, growing at a CAGR 3 times higher than the overall market. Growing incentives to nearshore and risk-diversification strategies out of India and The Philippines are generating new growth opportunities in the region.



Competitive Analysis And Atento's Position in Cala

The CALA market is mostly dominated by multinational CXSPs. Mergers and acquisitions (M&As) continue to transform the market landscape. In June 2021, Sitel Group acquired SYKES Enterprises and created a new top 3 in the nearshore space, and which intensified competitive pressure in the marketplace. Market consolidation has moved forward with Webhelp acquiring OneLink BPO and Dynamicall, and ITEL acquiring Emerge BPO. Moreover, many market participants are acquiring companies that were not part of this market to further diversify their service portfolio (i.e., Teleperformance and PSG Global Solutions; Concentrix and PK Global; TTEC and Faneuil's Public Sector CX Platform). Further M&A activity is expected to take place in the forthcoming years.



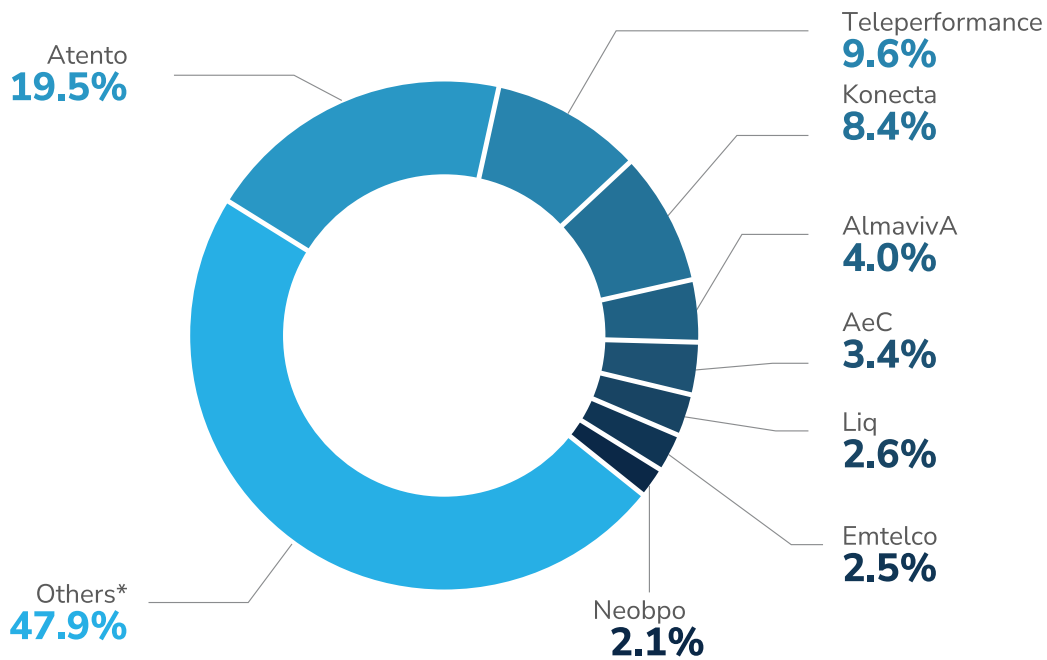
Competitive Analysis in Key Market Segments

Aggregated Domestic Demand

The CALA Aggregated Domestic Demand (ADD) includes all countries in Latin America and the Caribbean as contracting regions, whether the demand is fulfilled locally in each country or through LATAM shore activities. The ADD experienced positive growth rates primarily driven by LATAM-Shore activities. While this segment only accounted for 8.9% of the ADD market in 2021, it is expected to significantly increase its share towards the end of the forecast period. Brazil holds the biggest share of the ADD, followed by Colombia, Mexico, Argentina, and Chile.



CX Outsourcing Services Market: Market Share by Company, Aggregated Domestic Demand, CALA, 2021



Source: Frost & Sullivan

With 19.5% of the market in 2021, Atento is by far the market leader with Latin American customers for CX outsourcing services, more than doubling the market share of its nearest rival. The majority of the CALA nations, including Argentina, Brazil, Chile, Colombia, Mexico, Peru, Guatemala, El Salvador, and Puerto Rico, are home to the company's large operations. Furthermore, Atento is the leader in important markets like Brazil and Chile and ranks in the top three in others like Argentina, Mexico, and Peru. Therefore, the company has the capacity to cater to major CALA clients, both domestically and from other countries in the region.

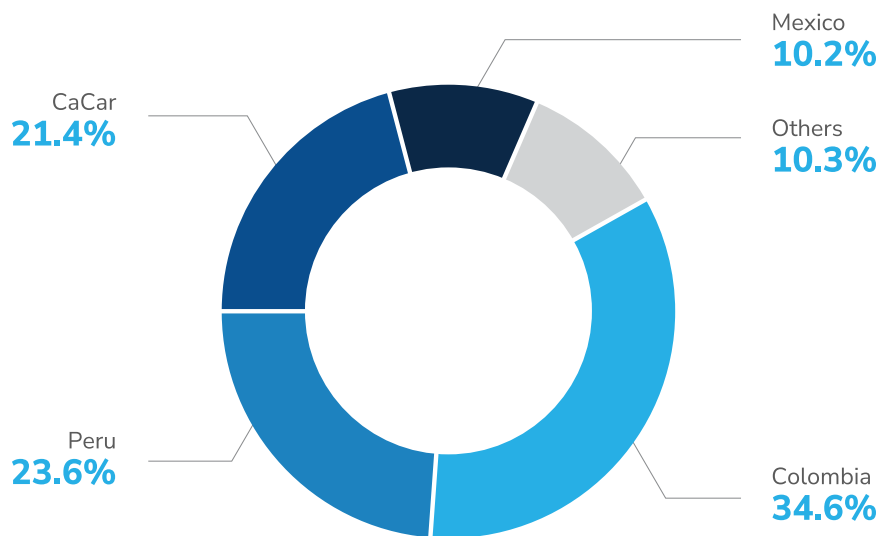




LATAM-Shore

One of the market categories with the quickest growth over the past ten years has been the supply of services to LATAM clients from delivery centers situated in other regional countries. The LATAM Shore portion of the ADD increased to 8.9% of this market in 2021, and is forecast to rise to 12.2% by 2028. Consequently, a 7.1% CAGR growth is anticipated for the LATAM-Shore category between 2021 and 2028. While Colombia accounted for a third of LATAM Shore business in 2021, Peru came in a close second with 23.6% of the market. CaCar, Mexico, and other Latin American nations round out the pie.

CX Outsourcing Services Market: Market Share by Country, LATAM Shore Segment, CALA, 2021



Source: Frost & Sullivan

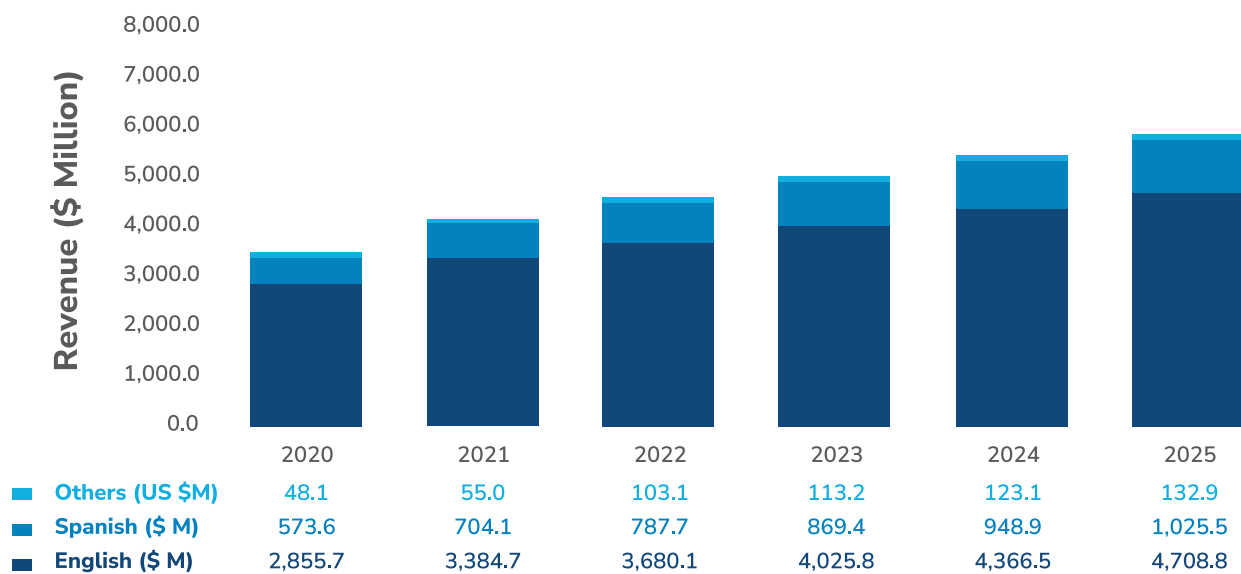
With a market share of 14.0% in 2021 and fulfillment locations in Mexico, Colombia, Peru, and CaCar, Atento continued to be one of the top two service providers in this market segment. With one of the longest histories of providing LATAM Shore services in CALA, Atento is particularly skilled at helping Argentinean and Chilean companies out of more affordable areas.



Nearshore

Growing inflation, attrition rates, and wage increases in the United States led companies to accelerate their near and offshore plans in 2021. Nearshore exhibited the highest growth rates compared to offshore locations, as many U.S. companies were looking to diversify their CX services footprint by moving some of The Philippines and Indian operations to countries closer to home. This geo-diversification is expected to continue throughout the forecast period when nearshore will experience the highest CAGR. Still, The Philippines will continue to be the most prominent delivery location outside the U.S. As a result, the nearshore segment is forecast to attain \$ 7.29 Billion in revenue by 2028.

CX Outsourcing Services Market: Nearshore Segment: Revenue Forecast by Language Used, CALA



Source: Frost & Sullivan

As its nearshore operations expand and are carried out in Mexico, Colombia, Puerto Rico, Peru, Guatemala, and El Salvador, Atento benefits. Additionally, the business has developed new capabilities and a laser-focused plan to expand its clientele in the United States, with a new management team devoted to this market sector and a burgeoning onshore operation centered in Texas and Dallas. As a result, Atento significantly outgrew the market as a whole and gained market share in 2021, expanding its sales by more than 40%.



Final Remarks

Frost & Sullivan foresees that customer engagement will continue to evolve from loose cross-channel contacts to seamless journeys that enable proactive, asynchronous, and persistent customer journeys. The pandemic has changed the way organizations run their business and how they interact with their customers. The customer journey has been transformed and equipped with intuitive and easy-to-use self-service tools allowing customers to communicate with an agent only for complex or specific queries. Technologies such as AI, security tools, and cloud-based communication platforms have proven to be critical elements in improving CX.

Companies are going faster and faster to where their customers are and will need to rethink their strategies and business models to accommodate their renewed priorities and expectations, offering a truly personalized experience. Without a doubt, they are going to have to make a strong commitment to digital and to adding new capabilities that allow them to transform customers into authentic fans and promoters of their brand.





About Atento

Atento is the largest provider of customer relationship management and business process outsourcing (“CRM BPO”) services in Latin America, and one of the top providers globally. 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 14 countries where it employs approximately 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 sectors such as 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).

ANNEX

Forecast Assumptions

- Frost & Sullivan has considered the currency exchange rates exhibited below. The 2022 forecast is based on the average exchange rate until September 1, 2022. Except for Argentina, all local currencies’ exchange rates against the U.S dollar are considered stable starting in 2023.
- As millennials and centennials become a more significant part of the consumer base, the preference for digital and automated interfaces will grow.
- The number of Latin American organizations that outsource their contact center services will gradually increase during the forecast period.
- This forecast assumes no major political changes, supplier mergers and acquisitions, and other events that could have a considerable impact 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) .

Country	2020	2021	2022	2023	2024	2025	2026	2027	2028
Argentina	70.6	95.6	133.1	280.4	523.2	871.7	1408.6	2205.9	3344.1
Brazil	5.2	5.4	5.1	5.1	5.1	5.1	5.1	5.1	5.1
CaCar*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Chile	783.6	760.5	857.0	857.0	857.0	857.0	857.0	857.0	0.0
Colombia	3694.5	3743.1	4067.4	4067.4	4067.4	4067.4	4067.4	4067.4	4067.4
Mexico	21.5	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3
Peru	3.5	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9



2 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”



Market Segments

- Aggregated Domestic Demand is a different type of segmentation of the CALA CX Outsourcing services market and is not to be considered a separate region. It includes Argentina, Brazil, Chile, Colombia, Mexico, Peru, CaCar, and Rest of Latin America (RoLA) as contracting locations, whether the demand is fulfilled locally or through LATAM shore activities. Moreover, as of today, there is not a significant demand from countries in CALA fulfilled by CXSPs located outside of CALA.
- LATAM shore revenue is generated by serving CALA consumers from delivery centers located in a different CALA country, e.g., CXSP “X” serving Argentinean consumers from its delivery site in Peru. This business is widely spread in Peru, Colombia, and CaCar.
- Nearshore revenue is generated by serving U.S. consumers from delivery centers located in CALA. This business is widely spread in CaCar and Mexico.

Methodology Notes

- The base year is 2021, and the forecast period is from 2022 to 2028.
- For the purpose of 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.
- 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%.

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