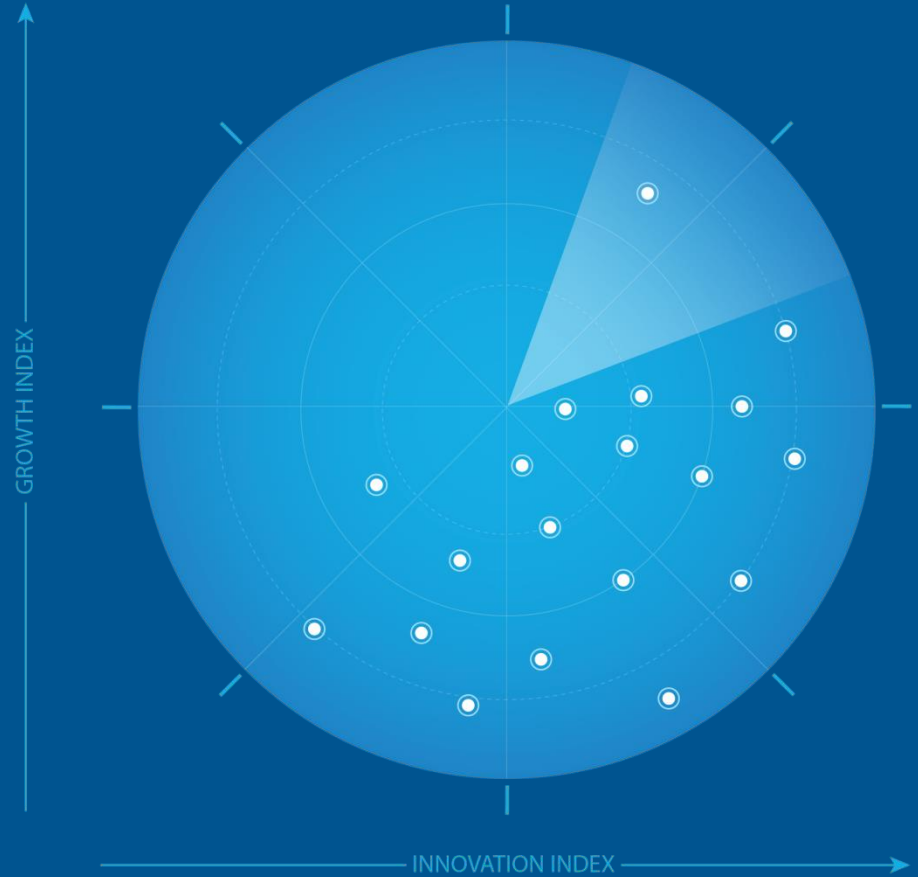# FROST & SULLIVAN

# Frost Radar™: Customer Experience Management in Latin America, 2024

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A Benchmarking System to Spark Companies to Action - Innovation That Fuels New Deal Flow and Growth Pipelines



July 2024

**Strategic Imperative and Growth Environment**

# Strategic Imperative

## Factors Creating Pressure on Growth

- Customer experience management (CXM) industry participants have a unique opportunity to consolidate as trusted advisors for their clients as the amount of noise about generative AI (GenAI) and adjacent technologies intensifies and companies look to securely and strategically implement the right tools to cut costs and increase quality of service. As the level of technological intensity grows across operations, most providers on this Frost RadarTM are looking to increase margins rather than revenue and, therefore, cleaning customer bases of traditional, low-margin clients.

- Participants have been evolving their roles from mere call center providers to system integrators and solution providers, extending services beyond the contact center to everything related to the CX. As a result, pricing conversations are less and less about FTEs or log-in hours, and more outcome-based and around the business results that outsourcers can bring to the table.

# Strategic Imperative

## Factors Creating Pressure on Growth

- An increasing number of large enterprises are requesting that their providers meet certain ESG standards. Especially for publicly traded companies, this is becoming a prerequisite to doing business with them. CXM providers must adapt their practices to meet these standards. This is an emerging reality among Latin American (LATAM) organizations but is already seen among Brazilian and multinational large enterprises.

- As simpler customer-facing interactions and basic back-office processes are automated and require minimal human intervention, live agents are performing more complex tasks. This requires CXM providers to reskill, upskill, and provide continuous coaching and training to their employees. Reducing attrition and increasing average agent tenure are imperative to having agents who can efficiently complete complex tasks. Optimizing facilities and providing a healthier, happier, and more fun working environment is a powerful way to accomplish this.

Source: Frost & Sullivan

# Strategic Imperative

## Factors Creating Pressure on Growth

- Companies in this space are working on improving agent soft skills because human-only qualities (e.g., empathy, tone of voice, and flexibility) are essential to effectively handle complex customer conversations. Providers are also improving the employee experience by providing the right tools and support, such as real-time recommendations, next-best-action suggestions, and intelligent routing.

- The adoption of self-service tools is increasing because live agents can cost companies significantly more than automated interfaces. However, too much automation might jeopardize the overall CX: customers may resent not being able to quickly get in touch with a person. Finding the right balance between automation and the human touch is the crux of the CX game and represents an opportunity for competitive differentiation.

# Strategic Imperative

## Factors Creating Pressure on Growth

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

- Two separate Frost & Sullivan surveys revealed that while executive-level objectives remain focused on CX year after year, hiring and retaining talent remains a lower priority. However, contact center organizations have shifted gears and are prioritizing employees. The age-old attrition issue has been exacerbated by agents not getting the support and training they require. It also is easier for remote employees to change jobs.

Source: Frost & Sullivan

# Growth Environment

- LATAM CXM industry revenue experienced single-digit growth in 2023 and is forecast to remain on a growth trajectory, mainly driven by nearshore (serving US consumers from LATAM delivery centers) and LATAM shore (serving Latin American consumers from a different country in the region) activities and partially offset by the weak performance of domestic services.

- Brisk exchange rate fluctuations (in Mexico and Argentina) and political uncertainties (in Argentina, Brazil, Chile, Peru, and Colombia) are creating challenging conditions for different market segments, although providers with operations in several locations are less affected. Economic challenges have created a solid opportunity for the debt collection service line, which was the fastest-growing segment in 2023 and is expected to register the highest compound annual growth rate from 2023 to 2029. Many service providers are streamlining their value proposition for this customer group.

- While nearshore experienced double-digit revenue growth rates from 2018 to 2022, because of an economic downturn (the International Monetary Fund forecasted a 1.6% US GDP growth in 2023 and a 1.1% growth in 2024) and the pressure to reduce costs, organizations are leaning toward lower-cost locations. As a result, India and the Philippines outpaced LATAM as fulfillment regions for the United States in 2023 and are forecast to do it again in 2024.

Source: Frost & Sullivan

# Growth Environment

- Emerging natural language and accent neutralization technologies are allowing companies to obtain high-quality results out of locations in which some US consumers perceive that agents have stronger accents (i.e., India and Tier II and III cities in the Philippines), which is deepening this trend.

- The LATAM shore segment continues to exhibit strong growth momentum (6.1% revenue growth in 2023), driven by organizations looking for in-region support from lower-cost countries such as Colombia, Peru, and Paraguay. Companies in Chile and Argentina are leading this phenomenon, contributing $226.7 million and $131.3 million, respectively, in 2023. As many providers find limits to their growth in nearshore services, competitive pressure should intensify in the LATAM shore realm.

- The domestic segment (in-country delivery) attained 3.6% year-over-year revenue growth in 2023, particularly benefiting from organic growth in Colombia and exchange rate fluctuations effects in Mexico. Aggressive price-based competition in most countries is leading this segment to exhibit negative growth rates in 2024 and 2025.
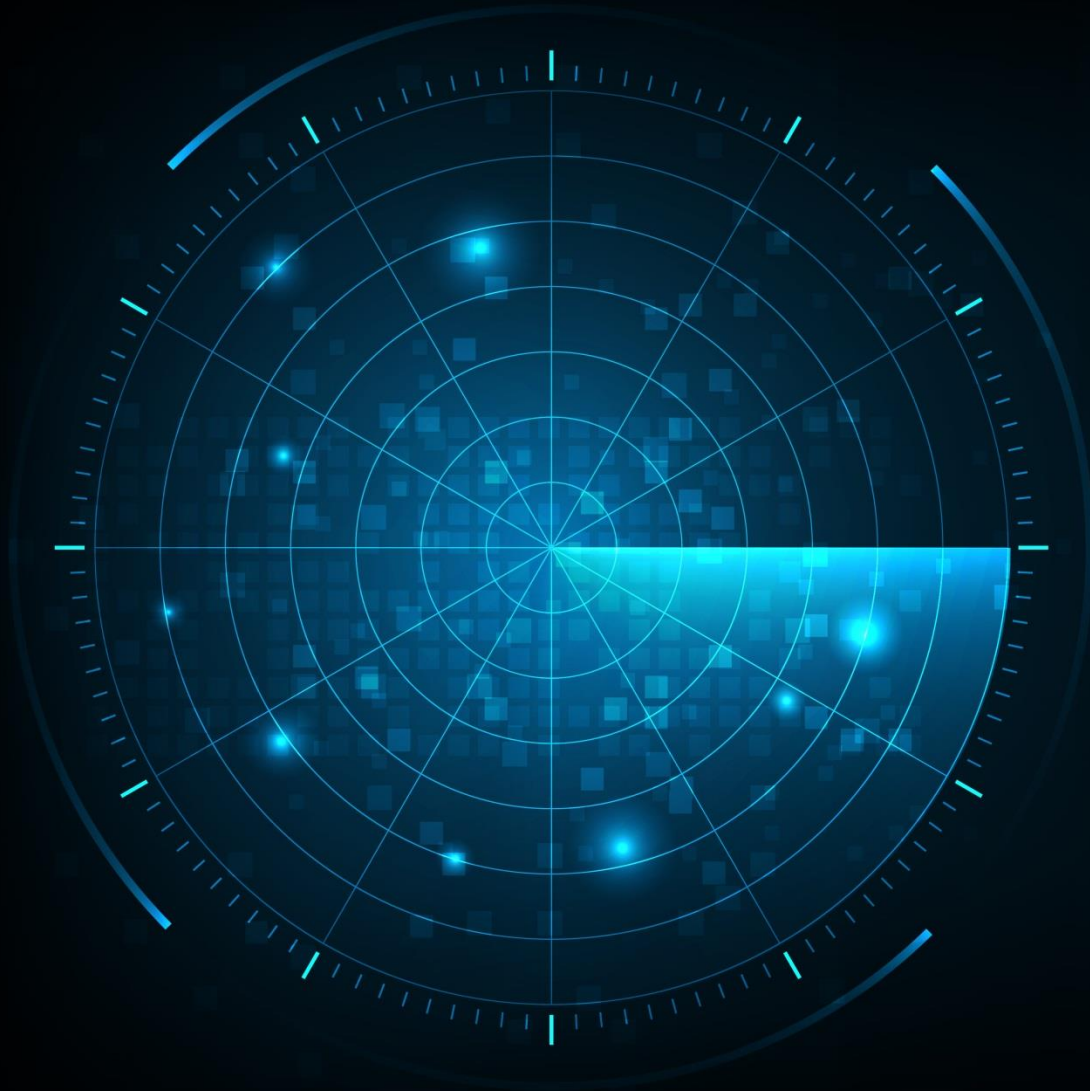
Source: Frost & Sullivan

# Growth Environment

- While Spain (as an offshore market) has not experienced significant growth in the past decade, this segment generated $237.9 million in 2023 and still represents an opportunity for CXM providers to strengthen their top line. Revenue will reach $270.9 million by 2029, growing at a 2.5% compound annual growth rate.

- Industry consolidation (i.e., Teleperformance-Majorel, Concentrix-Webhelp, Konecta-Comdata) is leading some clients to diversify to avoid relying on a single provider. This is creating short-term opportunities for other providers to increase their market share.

- As more multinational (but increasingly LATAM-based), publicly traded organizations require CXM providers to comply with ESG standards, industry participants embark on carbon reduction, workplace diversity, and community aid initiatives that also enhance brand awareness among the workforce, helping them to attract the right talent.

- While many capitals and main urban centers are exhibiting signs of saturation (i.e., harder to find and retain employees, higher costs to operate), many providers start operations in less-populated Tier II cities. Operations in these locations often exhibit lower attrition and absenteeism rates and higher agent engagement levels.
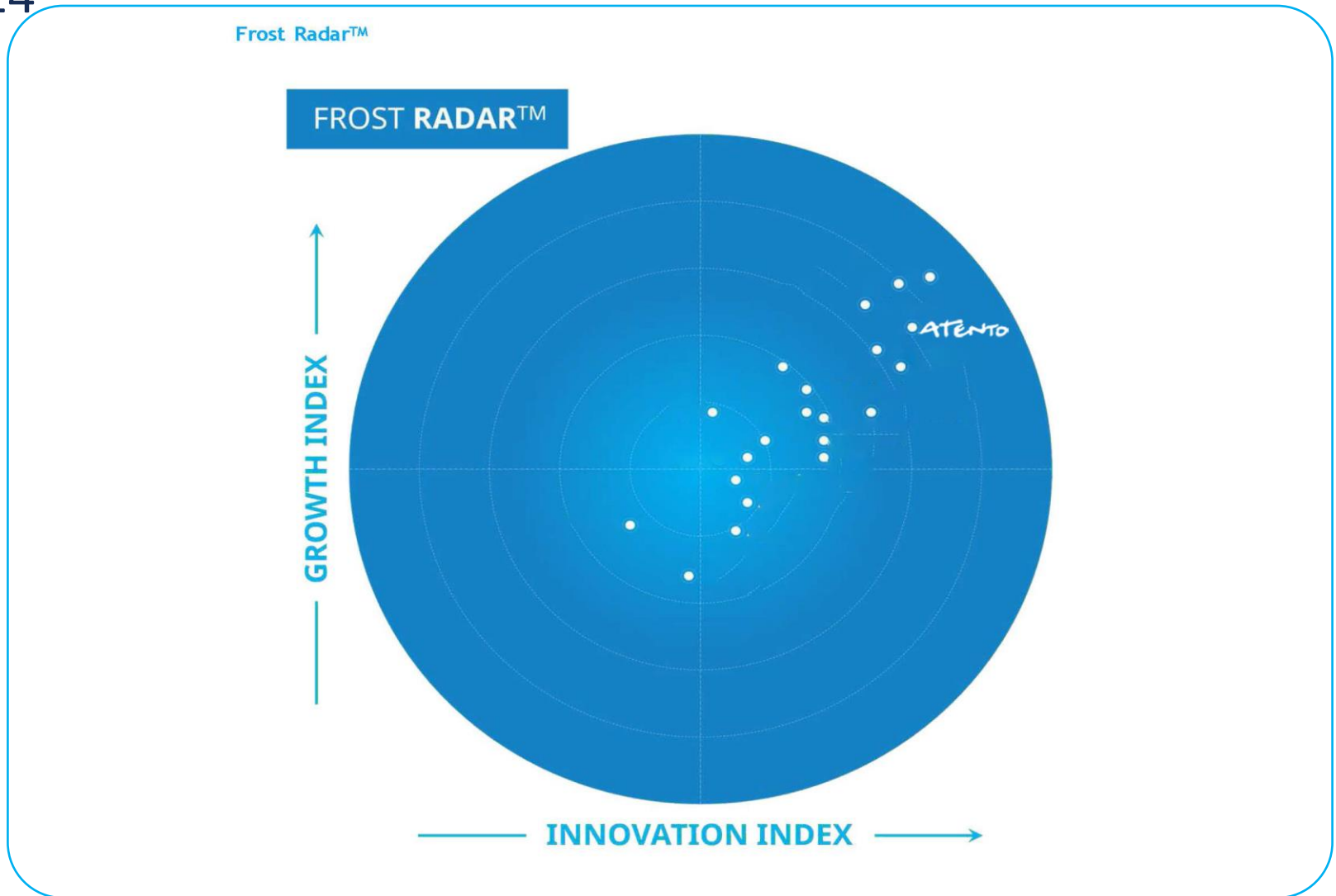
# FROST & SULLIVAN

**Frost Radar™**

**Customer Experience Management in Latin America, 2024**

# Frost Radar™:Customer Experience Management in Latin America, 2024

# Frost Radar™
# Competitive Environment

- In a highly fragmented industry consisting of more than 200 organizations, Frost & Sullivan independently plotted the top 20 companies in this Frost RadarTM analysis.

- In this analysis of Growth and Innovation, participants show many similarities:

  - a prominent position in the market (revenue exceeding $100 million delivered out of LATAM in 2023);

  - continuous improvement methodologies and/or certifications;

  - disruptive innovations that bring tangible benefits to clients;

  - a solid product roadmap for the short, medium, and long terms;

  - orchestration of several technology stacks (both proprietary and third-party) to come up with bespoke solutions;

  - consultancy and customer journey design mapping capabilities;

  - a significant portion of their workforce operating remotely;

# Frost Radar™
# Competitive Environment

- o a secure and high-performing work-from-home (WFH) platform;

- o support of digital channels as part of an omnichannel platform;

- o some degree of automation in front-end and/or backend operations;

- o a technology-intensive approach to drive continuous improvement and rapid innovations;

- o Great or Best Place To Work certifications in several delivery sites;

- o strong ESG practices and tight links with local communities (many periodically publish sustainability reports);

- o diversity and inclusiveness among its employee base, including management positions; and

- o a vision of seamless and effortless CX.

Source: Frost & Sullivan

# Frost Radar™
# Competitive Environment

- The pace of innovation seems to be accelerating in the CXM space. While the use of AI technology in CX drove the redesign of several customer-oriented processes in the last five years, the emergence of GenAI has significantly accelerated this trend and is leading to huge productivity gains.

- All providers featured in this Frost RadarTM have innovated in several tools and solutions, and many exhibit a strong and sometimes similar product roadmap. For this reason, it can be difficult to find competitive differentiation in this space. However, some providers seem to be ahead of the curve, and a few can have a more profound impact on the marketplace based on customer and employee adoption of their innovations. These are the ones who stood out on this Frost RadarTM and achieved a score greater than 4.5 out of 5 on the Innovation Index: Teleperformance, Atento, Foundever, Concentrix, and Intouch CX.

- According to Frost & Sullivan research, the CXM market in Latin America exhibited a 5.8% year-over-year revenue growth rate in 2023 and is forecast to show a 4.4% compound annual growth rate from 2023 to 2029. Most companies featured in this Frost RadarTM are expected to achieve higher growth rates and gain market share in forthcoming years. As a result, the average score on the Growth Index is high at 3.35 (out of 5). These results are powered by noticeable growth opportunities.

Source: Frost & Sullivan

# Frost Radar™
# Competitive Environment

- A few companies stood out as growth leaders and achieved a score of more than 4 out of 5 (Konecta, Teleperformance, Atento, and Concentrix). They outperformed competitors based on large market share, growth performance, robust growth pipeline, fully aligned vision and strategy, and joint marketing and sales initiatives.

- Strategies these leaders share include:

  - early and successful penetration of rapid growth markets, such as born-digital companies;

  - customized value propositions for fast-growing industries (e.g., eCommerce, fintech, and eHealth);

  - a highly diversified client portfolio;

  - long-lasting relationships with large customers;

  - substantial market shares in several segments (nearshore, LATAM shore, and/or domestic);

Source: Frost & Sullivan

# Frost Radar™
# Competitive Environment

o    a balanced and sizable global network to deliver services onshore, offshore, and nearshore; and

o    dynamic M&A activity while actively looking for the next addition to the company.

# Companies to Action:
**Companies to Be Considered First for Investment, Partnerships, or Benchmarking**

# Company to Action: Atento

## Innovation

- Atento is a leader on the Frost RadarTM Innovation Index. The company is on a mission to increase the digital maturity of CXM in every organization, while continuously decreasing the total cost of service for its clients.

- Atento launched an AI center of excellence (CoE) in 2023 to centralize the development of its GenAI product portfolio. The CoE was established at the same time as a global AI committee and a global policy to ensure security, integrity, confidentiality, and privacy when infusing AI into the customer journey.

- Atento's main innovation engine is in Brazil, but its developments have a transnational reach affecting the company's operations across LATAM, Europe, and APAC.

- The company uses a GenAI-based virtual interface to simulate different personas and test candidates for soft skills such as empathy, ability to resolve, and capacity to handle objections. In this way, Atento ensures that the right talent is onboarded and reduces the cost of recruiting.

- Atento developed a proprietary, AI-based predictive attrition model that analyzes the likelihood of an employee leaving the company. With this unique solution, Atento tailors its approach to each agent to increase well-being, engagement, and productivity and decrease attrition rates.

Source: Frost & Sullivan

# Company to Action: Atento

## Innovation

- The company is one of the few on this Frost RadarTM to have a start-up accelerator: Atento Next. In addition to the benefits to start-ups, Atento brings innovative solutions to its customer base. 2023's solutions were about knowledge management systems and AI, content moderation, back-office digitalization, and real-time customer data collection.

- Unlike most large industry participants, Atento offers a tailored value proposition for small and medium-sized businesses (FlexibleCX), allowing them to access premier-level CX solutions with minimum requirements and flexible conditions. This sets Atento apart in a fairly undisputed segment.

- Atento launched a program to materialize innovative ideas from frontline workers. It uses gamification to incentivize agents to actively participate in the digitalization of CX processes.

Source: Frost & Sullivan

# Company to Action: Atento

## Growth

- Atento has one of the largest footprints in LATAM, with a delivery network spanning Argentina, Chile, Colombia, Brazil, El Salvador, Guatemala, Mexico, Peru, Puerto Rico, and Uruguay.

- The company occupies second place in the LATAM market in terms of revenue, leads in Brazil, Chile, and Mexico's domestic market, and is in the top 5 in Argentina, Colombia, and Peru, according to Frost & Sullivan's independent research on this industry.

- While high growth rates were elusive to Atento from 2020 to 2022, the company has a unique customer base of large enterprises and born-digital businesses that provides a solid future growth pipeline and opportunities to bring digitalization and customer journey management across the board.

- Atento has disinvested from traditional low-value campaigns while diversifying its client portfolio, winning new clients and growing existing ones in verticals such as high tech; retail and eCommerce; banking, financial services, and insurance; media and entertainment; and healthcare.

- Industry consolidation in the CXM landscape is opening short- and medium-term growth opportunities for Atento as several organizations look to onboard new providers that have multiple BPO partners.

Source: Frost & Sullivan

# Company to Action: Atento

- For the third consecutive year, Atento is one of the leaders on this industry's Frost RadarTM because of its unique and disruptive innovations—AI CoE, Next, FlexibleCX, Ideas—and its strong growth pipeline driven by a unique customer base and a diversified client portfolio.

- In the 2020-2023 time-frame, Atento embarked on several initiatives to strengthen its nearshore business, including a revamped offer for Spanish-speaking US customers. However, the company would do well to expand its brand awareness among US organizations to further penetrate this space.

- Unlike most competitors in the industry, Atento enjoys deep-rooted, solid brand equity among large enterprises and should further promote this to attract new clients.

- Atento is on a trajectory to become an AI-first and data-driven company and should continue to digitalize both internal and external operations.

Source: Frost & Sullivan

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Key
Takeaways

# Key Takeaways

**1**

Technology-based disruption has been the norm in the CXM space for decades., The number of GenAI-based use cases in CX is significant and can have a powerful effect on the customer journey. Providers able to derive tangible customer value from new tools and help clients distinguish the noise from feasible use cases have been and will continue to be successful in the marketplace.

**2**

CXM is not a tech-only play. Prosperous providers are those who can find the right combination of people, processes, and technology. As GenAI, advanced analytics, and hyper-automation result in significant efficiency gains and make human intervention less needed in many processes, the reskilling of an increasing number of employees becomes fundamental to strengthening customer value. While technology change can be exponential, cultural change is often linear. Managing the cultural variable will prove to be a differentiator for employee-centric organizations.

Source: Frost & Sullivan

# Key Takeaways

**3**

Every level of the contact center is infused with AI technology that both boosts and overlaps with CX, performance and quality management, workforce management, automated interfaces, intelligent routing, recruiting, learning platforms, and many other business areas. Without AI, digital transformation is impossible. AI is enabling companies to combine a vast amount of unstructured data with information on contact center interactions to generate data-driven insights that could significantly alter business outcomes.

**4**

A solid cybersecurity framework has become a must for any CXM provider that is looking to partner with Fortune 500 companies. Service providers must integrate third-party tools with internal developments and complement this with periodic awareness programs to avoid being compromised by phishing scams, ransomware attacks, or any malware. A security breach can harm a brand's reputation, leading to significant losses.

Source: Frost & Sullivan

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**Frost Radar™ Analytics**

# Frost Radar™: Benchmarking Future Growth Potential
## 2 Major Indices, 10 Analytical Ingredients, 1 Platform

## GROWTH INDEX ELEMENTS

### 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.

- **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

## INNOVATION INDEX ELEMENTS

### 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.

- **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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