FROST RADAR™: EUROPEAN CONTACT CENTER AS A SERVICE MARKET, 2020

BENCHMARKING FUTURE GROWTH POTENTIAL

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THE STRATEGIC IMPERATIVE

- In recent years, cloud-based technology designed for contact centers (CCs) has become more robust, offering access to all of the features that on-premise solutions provide yet with the added benefit of being hosted over the Internet, allowing businesses to quickly deploy services across multiple geographies.
- Cloud is a vital enabler of a mature customer experience (CX) strategy; it offers flexibility in terms of scale, reach, and modularity, and allows capabilities to be introduced using a phased approach.
- Contact centers of all sizes, especially small and medium-sized businesses (SMBs), have been gradually
 migrating to cloud-based technologies. Hybrid cloud models, part on-premise and part cloud, have
 gained popularity for reducing data security and scalability concerns, which has prompted some large
 enterprises to adopt full cloud models in the last two years.
- Migration to the cloud is also driven by cloud technologies' higher return on investment (ROI), contact center as a service (CCaaS) solutions' greater speed and flexibility, and organizations' need for platforms that assure uninterrupted business continuity.
- With the introduction of the General Data Protection Regulation (GDPR) and other national datarelated regulations (e.g., the German BDSG), together with the increased activity of European Courts on security and privacy issues, vendors have been compelled to invest further in enhancing their data privacy and protection solutions. Security has became a major driver for improved cloud technology.
- Customers demand cloud-based CC solutions that deliver robust levels of security and privacy, flexible deployment, 24/7 availability, intuitive interfaces, and advanced integration capabilities.
- Artificial intelligence (AI)-based features, workforce optimisation (WFO) platforms, and analyticsrelated applications are the technologies being targeted by the majority of competitive vendors.

THE GROWTH ENVIRONMENT

- The European CCaaS market comprises more than 150 vendors of varying size. These vendors offer solutions to companies and organization across a broad range of verticals, with financial services, healthcare, public sector, utilities, retail, education, hospitality, and tourism among the most prominent.
- The European CCaaS market generated revenue of \$657.1 million in 2019, representing 17.9% yearover-year (YoY) growth compared to 2018. It will generate \$1,449.5 million by 2024 (CAGR 17.1%).
- In revenue terms, cloud-based solutions accounted for 17% of the European contact center solutions market in 2019; this is expected to increase to over 33% by 2024.
- Different growth rates can be expected across European countries. Those that are lagging in terms of cloud penetration, such as Germany and Austria, are expected to grow strongly.
- Vendors offering full-suite cloud contact center solutions will grow at approximately the same pace as best-of-breed solution vendors that have less diversity of products to refresh.
- Since 2015, the number of cloud-based contact center agents in Europe grew from 420,000 to 780,000 in 2019. This figure is expected to increase to over 1.5 million agents in the next 5 years.
- The large number of offerings in the CCaaS market combined with intense competition has led to a new type of migration: cloud-to-cloud (C2C) migration. At least 30% of new customers have already implemented cloud-based CC solutions and have moved from one provider to another.
- Cloud-based solutions are dominating contact center software sales. Approximately 7 out of 10 new contact center bookings are for cloud-based platforms in Europe.

THE GROWTH ENVIRONMENT (CONTINUED)

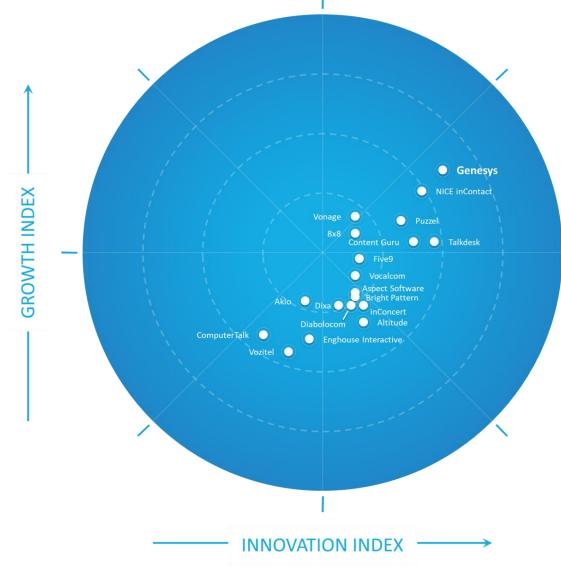
- Many larger companies are tied into multi-year contracts for on-premise solutions, limiting their migration to full-cloud options. As these contracts expire, a boost in cloud migration is expected.
- The European CCaaS market is in a growth stage. The market is characterized by extreme fragmentation, with very few vendors having significant market share. The most noteworthy providers in Europe are Genesys, Vonage, 8x8, Verint, Content Guru, Enghouse Interactive, Puzzel, and NICE inContact.
- While there appears to be limited room for new comprehensive cloud-based contact center platforms, niche-oriented vendors are expected to emerge in the next few years, largely focused on a particular technology or delivering a complementary module for existing solutions.
- Language, culture, and protectionist domestic regulations have acted as drivers of the dynamic CCaaS market. This partially explains the emergence of a high number of home-grown European vendors that have raised levels of market competition.
- The COVID-19 pandemic is having a two-sided impact on CCaaS vendors. On one hand, vendors are benefitting from higher adoption of cloud technologies due to a shift towards home-based work models; on the other hand, they are affected by the negative impact that the crisis is having on many customers, especially those that are active in the hospitality, tourism, transport, and outsourcing sectors. CCaaS vendors that have introduced video chat channels are witnessing a positive impact in terms of sales growth.



FROST RADAR™

EUROPEAN CONTACT CENTER AS A SERVICE MARKET

THE FROST RADAR™ EUROPEAN CONTACT CENTER AS A SERVICE MARKET



In a field of more than 150 European industry participants, Frost & Sullivan independently plotted the top **19** companies in this Frost Radar[™] analysis. Parameters assessed in the analysis included:

- Innovation Scalability
- Research and Development
- Product Portfolio
- Mega Trends Leverage
- Customer Alignment
- Growth Pipeline
- Vision and Strategy
- Sales and Marketing

Frost & Sullivan studies related to this independent analysis:

• European Contact Center as a Service Market, Forecast to 2024.

COMPANIES TO ACTION: COMPANIES TO BE CONSIDERED FIRST FOR INVESTMENT, PARTNERSHIPS, OR BENCHMARKING

GENESYS

FROST RADAR™ LOCATION

- Genesys is at the top right of the Radar[™] and is the leader in the CCaaS market: ahead on both the Growth and Innovation indices.
- Genesys's leadership position stems from its ability to offer an all-in-one cloud contact center platform, the most complete marketplace, a myriad of high-quality native features, a simple user interface, and unmatchable customization capabilities.
- The company has invested heavily in the development of innovative applications for predictive engagement and for embedding Alcapabilities in CX tools, leading the cloud-based customer engagement market.

GROWTH

- In 2019, Genesys's CCaaS revenues skyrocketed, driven by accelerated customer cloud adoption, unmatched innovation, and continued install-base support.
- In recent years, Genesys has supplemented its internal R&D efforts with almost a dozen strategic acquisitions to round out its cloud-based offerings. Innovations span areas from speech analytics, self-service and performance management to cloud-based CC suites.
- Genesys is transforming itself into a cloud brand. The firm is evolving its partner ecosystem to accelerate cloud adoption through strategic cloud alliances and expanding networks with partners and integrators.

INNOVATION

- Genesys is innovating faster than anyone in the industry. Annual R&D investment of \$250 million is the largest R&D allocation specific to customer experience across the CCaaS market.
- In 2019, Genesys introduced 174 new features. Genesys's innovation focus was on analytics (28 related apps), native WFO, quality management, recording, AI (self-service and automation), and digital enhancements (18 apps).
- Genesys has increased its developer community from 1,200 developers in 2019 up to 2,300 in 2020. Notably, 500 internal developers use the same APIs as the developer community to drive innovation.

NEXT STEPS

- Retention of on-premises customers will be crucial as Genesys focuses R&D and marketing efforts on cloud.
- Interactive Intelligence (acquired by Genesys) invented multi-tenant CCaaS, but Genesys Cloud now faces an onslaught of competent competitors in Europe. It must harness entrepreneurial talent and fight for every contract.
- Genesys will need to improve its native WFO module and reporting capabilities to maintain pace with close competitors in these fields.
- Extending the offering of Genesys AppFoundry with the introduction of new apps will be key for Genesys to maintain its technological and product offering edge. Source: Frost & Sullivan

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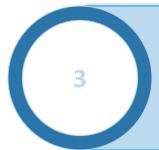


STRATEGIC INSIGHTS

STRATEGIC INSIGHTS

The European CCaaS market, as it is defined now, will expand in scope and complexity. Vendors will integrate their solutions with other business applications and CX-related platforms; further expand omnichannel, analytics, WFO, gamification, and AI-based capabilities; and explore new go-to-market partnerships and strategies to increase revenue and enhance differentiation.

The ability to innovate is a critical differentiator in the CCaaS market. Today's end customers' demands for hyper-personalized experiences and first-class responsiveness, together with intense levels of market competition, are pushing CCaaS vendors to increase investments in R&D and explore the development of new apps in order to gain new customers.



Work at home agent (WAHA) models were relatively slow to take off in Europe; hence, significant growth is expected over the coming years. CCaaS platforms are necessary for employing WAHA systems in the CX space. As such, this trend, which is gaining more traction as a result of the COVID-19 pandemic, will be a major driver of CCaaS market growth. In order to deliver outstanding solutions for WAHA, the incorporation of first-rate WFO tools, flexible deployment options, and simple-to-use interfaces is essential.

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NEXT STEPS: LEVERAGING THE FROST RADARTM TO EMPOWER KEY STAKEHOLDERS

SIGNIFICANCE OF BEING ON THE FROST RADAR™

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.

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.

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™ Experience
- Growth Pipeline™ Dialogue with Team Frost

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

FROST RADAR[™] EMPOWERS CUSTOMERS

STRATEGIC IMPERATIVE

- Solutions are increasingly complex and have longterm 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, longterm 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

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™
- Join Growth Pipeline as a Service™

85%

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, longterm opportunities and new business models, as the foundation of its innovation pipeline. An explanation of Mega Trends can be found <u>here</u>.

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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