

ASIA PACIFIC ENTERPRISES CONTINUE TO SPEND ON CUSTOMER CARE

Asia Pacific Market Insights

Frost & Sullivan's commentary on the Asia Pacific ICT industry, addressing opportunities, best practices, and major events



“We accelerate growth”

The Asia Pacific Contact Center Market continued to see strong growth in 2008 despite the slow economy in the second half of the year. Spending on contact center applications grew by 14.8% in Asia Pacific in 2008 to cross \$763 Million. Most of the markets in the region saw good growth on the back of rising domestic demand for customer care, increasing drive towards self-service, focus on improving quality of customer experience, and sustained growth in the outsourcing business from North America and Europe.

This article discusses some of the top trends in the contact center market in Asia Pacific in 2008, as well as predictions for 2009.

Major Market Trends in 2008

Resurgence of Self-Service

Self-service applications in Asia Pacific saw resurgence in 2008 as developing economies continued to see strong organic growth in sectors such as Telecom and Banking. The need to focus on self-service technologies as a way to reduce costs was a primary driver for the growth of the IVR market in the region. However, the resurgence in self-service applications was coupled with innovative and rational use of IVRs to improve customer experience rather than a mere cost cutting measure.

Instead of IVRs having several menu-trees that typically led to customer frustration, the focus in 2008 was on using IVRs to automate low-value simple processes as well as leveraging speech applications to improve customer experience.

The IVR market grew by 22 % in 2008 to reach \$108.4 Million. Major deployments within the telecom sector as well as the banking sector contributed to this high growth. The shift from traditional IVRs to Voice Portals is also fueling the growth in the market.

2008 Olympics drove significant spending on customer care in China

The Chinese Contact Center Applications market grew by over 40% in 2008 to cross \$108 Million in revenues. As China prepared for staging the Olympics, Chinese enterprises as well as the Chinese Government underwent a refresh of its existing contact center infrastructure as well as expanding its contact center operations.

Banks, Telecom, Travel & Hospitality as well as the Government sector were the major verticals that contributed to the growth in the Chinese contact center applications market in 2008. While spending from large contact centers grew strongly in 2008, mid-sized contact centers continued to contribute over 45% of the total market spending on contact center applications.

Domestic demand offsetting the current slowdown in offshoring in India

Growth in offshore outsourcing saw a slowdown in India in 2008 as the global economy slowed down, Asian currencies appreciated against the US dollar and outsourcing became a sensitive issue during US elections. While there was some organic growth in certain sectors within outsourcing, the growth in 2008 did not compare to the strong growth rates that India had experienced in previous years.

This slump in offshore outsourcing was adequately compensated by the strong growth in the domestic market in India. Huge expansions and new setups in India from the Banking, Telecom and Government organizations. The Indian contact center applications market grew slightly over 15% in 2008.

Analytics seeing adoption in mature markets such as Australia

As most enterprises are taking a harder look at their return on investments, there is a growing need to transform the contact center from a traditional cost center delivering transactional customer service to a strategic center that can deliver customer insight and profits. Since much of the direct customer interaction with the enterprise happens at the contact center, contact centers are fast becoming the prime source of customer analytics.

Spending on analytics has begun in mature markets such as Australia where speech analytics tools are being deployed to get better customer insight that can lead to better service and opportunities to upsell. While still a small part of the contact center spending in Asia Pacific, there is a strong trend towards adoption of analytics and business intelligence tools in the contact center environment.

Increase in Mid market Demand

Demand for contact centers has traditionally come from enterprises with large contact center setups such as Banking & Finance or Telecom. In 2008, the market has seen good growth of small and mid-sized contact centers operating under the 200 seats capacity, with the technology spending from this segment growing over 10% in 2008.

Mature markets in the region like Australia are seeing growth in the outsourcing as well as hosted contact center service models. A key driver for this growth is the awareness among SMBs of the benefits of having a fully operational contact center, without the hassle of staffing costs and pressures. Hosted services saw a healthy adoption in this market last year, and hosted service providers are optimistic that the SMB market will continue to be a growing revenue stream for them in 2009. Domestic demand in India and China is also driving the setup of small and mid-sized contact centers.

Speech Recognition in Asian Languages begins to see some adoption

Until 2008, a significant majority of the Speech recognition deployments were for English language with some deployments in Asian languages such as Mandarin and Korean. In 2008, speech vendors such as Nuance and Telisma made investments into local languages in India, as well as other parts of the region. While Nuance continued to dominate the speech applications market, vendors such as Telisma, InfoTalk, and iflytek are also making good progress.

Predictions for the Asia Pacific Contact Center Market in 2009

With the global economic recession, focus on customer care is ever more important, however, the need to cut costs has become an immediate challenge for most contact centers. Highlighted below are some trends that we expect to see in 2009 keeping in mind the current macro-economic environment as well as the need for enterprises to stay close to customers:-

- **Self-Service growth to continue** – As focus on cost cutting increases in the wake of the global economic recession, more enterprises would be evaluating smarter ways of using self-service applications to reduce costs, improve contact center operations and customer experience.

Pre-packaged vertical specific IVR applications targeted at key sectors such as Banking, Telecom, Retail, and Utilities would be in demand in 2009.

- **Unified Communications (UC) in the Contact Center** – The idea of extending the contact center into the larger enterprise has been around for many years, however, with the focus and push on Unified Communications, the contact

center opens up opportunities to leverage some of the unified communication applications to include enterprise experts in the customer care process and deliver better first call resolution rates.

While the technology is no longer a major challenge, enterprises need to figure out the processes in order to include the larger enterprise as part of the contact center operations. 2009 would see some initial deployments in this space, however, wide spread adoption of UC in the contact center can be expected in 2010 and beyond.

- **Contact center consolidation** – Enterprises across the region are looking to consolidate their contact center infrastructure and virtualize multiple sites into a single virtual contact center. This would enable better utilization of resources and hence reduce operational costs. This trend has been driving IP migration in the contact center market, and Frost & Sullivan expects the trend of contact center consolidation to continue in 2009.
- **Growth in Hosted Contact Center Services** – The current economic climate is making the case for hosted contact center services stronger. Opex based pricing models are definitely more attractive in today's climate and hence interest from small and medium sized enterprises for such services is expected to pick up. Enterprises with large contact centers are also expected to look at such solutions for their expansion needs.

Increased interest from the Global Service Providers as well as local telecom service providers to offer such services is also expected to drive the market in 2009. By the end of 2009, Frost & Sullivan estimates close to 75,000 hosted seats in Asia Pacific.

- **Domestic & Regional Contact Center Outsourcing to Grow** – While offshoring from North America and Europe is expected to continue to grow albeit at a slower pace, outsourcing contracts for domestic enterprises as well as offshore outsourcing from within the region is expected to pick up in 2009.
- **Increasing Interest in Optimization Applications** – Contact centers are being forced to revisit their operational strategies to figure out how they can improve operations to reduce costs. Looking at “Spend-to-Save” technologies such as Performance Management and Workforce management are expected to see increased interest from large sized contact centers. This also opens up opportunities for consulting services to help contact centers improve process efficiencies.

While customer care will remain a high priority for most enterprises, the impact of the economic downturn on the contact center market cannot be ruled out. While investments will continue to be made in 2009, enterprises will be more selective and cautious in spending on technology. Frost & Sullivan expects the contact center applications market to grow at rate of 8% in 2009 in the Asia Pacific region.

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