FROST & SULLIVAN

2009

CONTACT CENTER APPLICATIONS IN CHINA – AN ANALYSIS OF VERTICAL OPPORTUNITIES

By: Jessie Yu

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 contact center application market in China saw an explosive growth rate of 43.7% in 2008 despite the global economic downturn that started in the second half of the year. The contact center application market reached over US$100 million in 2008. From the applications standpoint, this market is mainly driven by ACD, CTI and IVR, and strong growth in the outbound system and workforce management tools, as evidenced by the increase of customer interaction and operation optimization.

Vertically, Telecom and BFSI are still the leading industries to deploy and upgrade contact center systems, while government, public sectors and hospitality have witnessed rapid growth with more emphasis on customer care. Figure 1 below shows the percentage of distributed seats by vertical in 2008. In this article, we will discuss the top three verticals and their growth opportunities for the future.

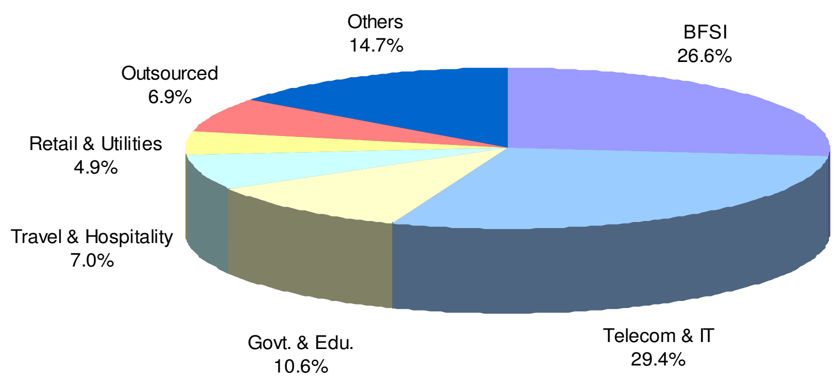

Figure 1: Contact Center Market: Distribution by Verticals (China)

Source: Frost & Sullivan

- **Telecom & IT:** The Telecom industry started the trend of customer service centers as early as 2000 in China and has to some extent, achieved the goal of becoming profit centers. For example, China Telecom has implemented full-fledged customer service hotlines with the access number “10000”, which is capable of handling service inquiries, service applications, customers’ complaints and promotes products and services. With the recent restructuring announced in China telecom in May 2008, China Telecom, China Mobile and China Unicom have become the three state-owned operators that are capable of both fixed line and mobile business. This restructuring also saw the consolidation of customer service centers in early 2009, as a result of the reduced operational cost and improving efficiency In addition, there is definite room for outbound system, workforce management and outsourced service centers. Unlike the telecom industry, the call centers in IT companies, both home-grown and that of global vendors have been affected by the worldwide economic crunch since the end of 2008 and this industry continues to see its business challenges increase in 2009. Consequently, as customer retention becomes a priority, operational issues, such as reducing attrition, increasing customer service representative (CSR) productivity and increasing customer interaction, are all high on the agenda with a reduced expense budget.

- **BFSI:** In order to ensure compliance with service standards, national and foreign banks are aggressive adopters of advanced technology. As a result, outbound services and speech technology have been universally deployed and quickly upgraded, contributing to the overwhelming growth of these two applications in 2008. However, some regional banks and insurance companies with smaller budgets prefer to deploy flexible, scalable and reusable systems given their limitation of financial resources. Therefore, with the pricing advantage, some local vendors have witnessed fast growth in terms of market penetration in 2008, which undoubtedly intensified the competitive climate. Nevertheless, Frost & Sullivan research indicates that regional banks and financial institutions (such as local fund and security companies) are still the growing vertical to deploy and upgrade contact center systems in the next couple of years.

- **Government & Public Sectors:** Three events – Snow Disaster, Sichuan Earthquake and Beijing Olympics – have dramatically improved the concept of customer service and accelerated the implementation of call centers in government and public sectors, accounting for over 10 percent of the vertical distribution, according to a recent research by Frost & Sullivan. The natural disasters of Sichuan Earthquake & the Snow Disaster have called for proactive measures from public utilities to ensure sufficient and timely service capability, while the Beijing Olympics was another great stimulus for overall hotline services as part of the infrastructure construction in 2008. For example, many state ministries have strategically expanded the service seats and agents to improve the service level. The establishment of contact centers in government and public sectors in China is starting much later than some of the developed countries, like Japan and Singapore, but is definitely slated to grow strongly in the forecast period. Fueling this growth in the short term is the 2010 Shanghai World Expo and the 11th National Games coming up in October that have eventually affirmed a positive demand growth of contact center deployment from this vertical.

In conclusion, it can be said that the overall contact center industry has witnessed a comparatively rapid growth in China in 2008, compared to the rest of the countries in APAC. In 2009, the growth of this industry will be somewhat affected by the current economic meltdown, but we will still see lots of opportunities especially in the system upgrading and expansion of Telecom industry, outbound and workforce optimization in BFSI, and the addressable demand in infrastructure from government and public sectors.

About the Author:

Jessie Yu is a research analyst with Frost & Sullivan ICT Enterprise, tracking and analyzing market trends and developments in conferencing and collaboration as well as contact center industry, focusing mainly on the Greater China region.

Contact
Tel: (65) 6890 0999
Email: apacfrost@frost.com
Website: www.frost.com

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages over 45 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 35 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.