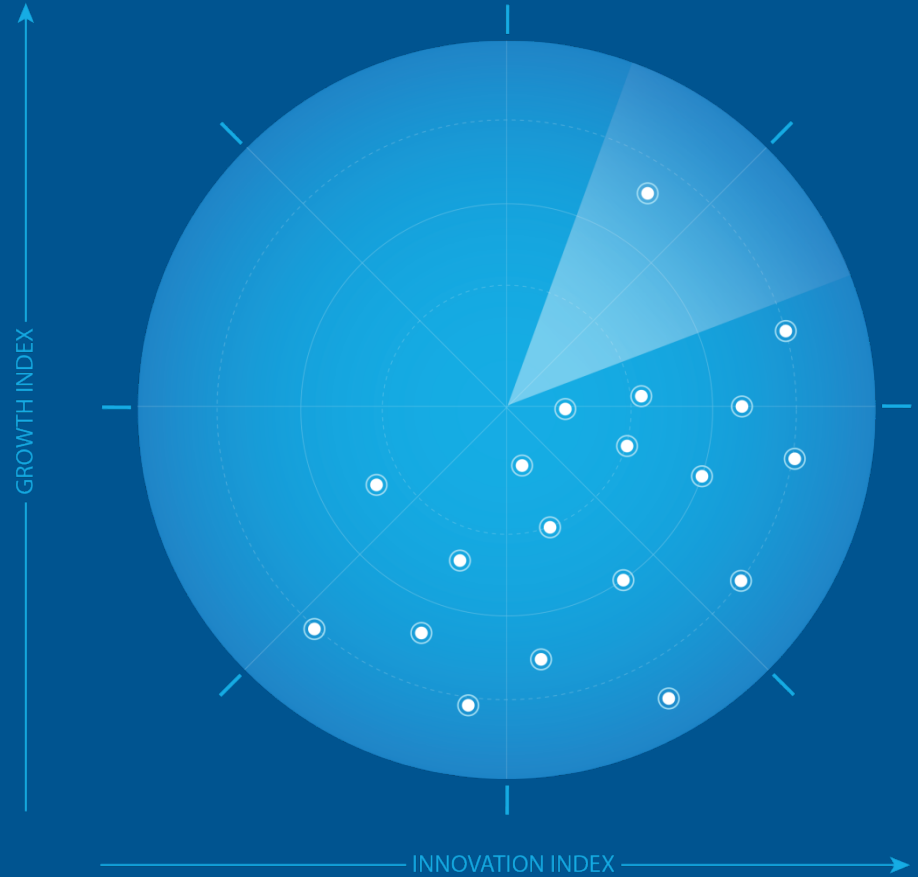# Frost & Sullivan

Frost Radar™: European Contact Center as a Service Market, 2020

Benchmarking Future Growth Potential

Global Information & Communications Technologies Research Team at Frost & Sullivan

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Strategic Imperative and Growth Environment

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 data-related 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 optimization (WFO) platforms, and analytics-related applications are the technologies being targeted by the majority of competitive vendors.

Source: Frost & Sullivan

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% year-over-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.

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 Content Guru, 8x8, Enghouse Interactive, Genesys, NICE inContact, Puzzel, Verint and Vonage.

- 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 domestic innovation policies 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.
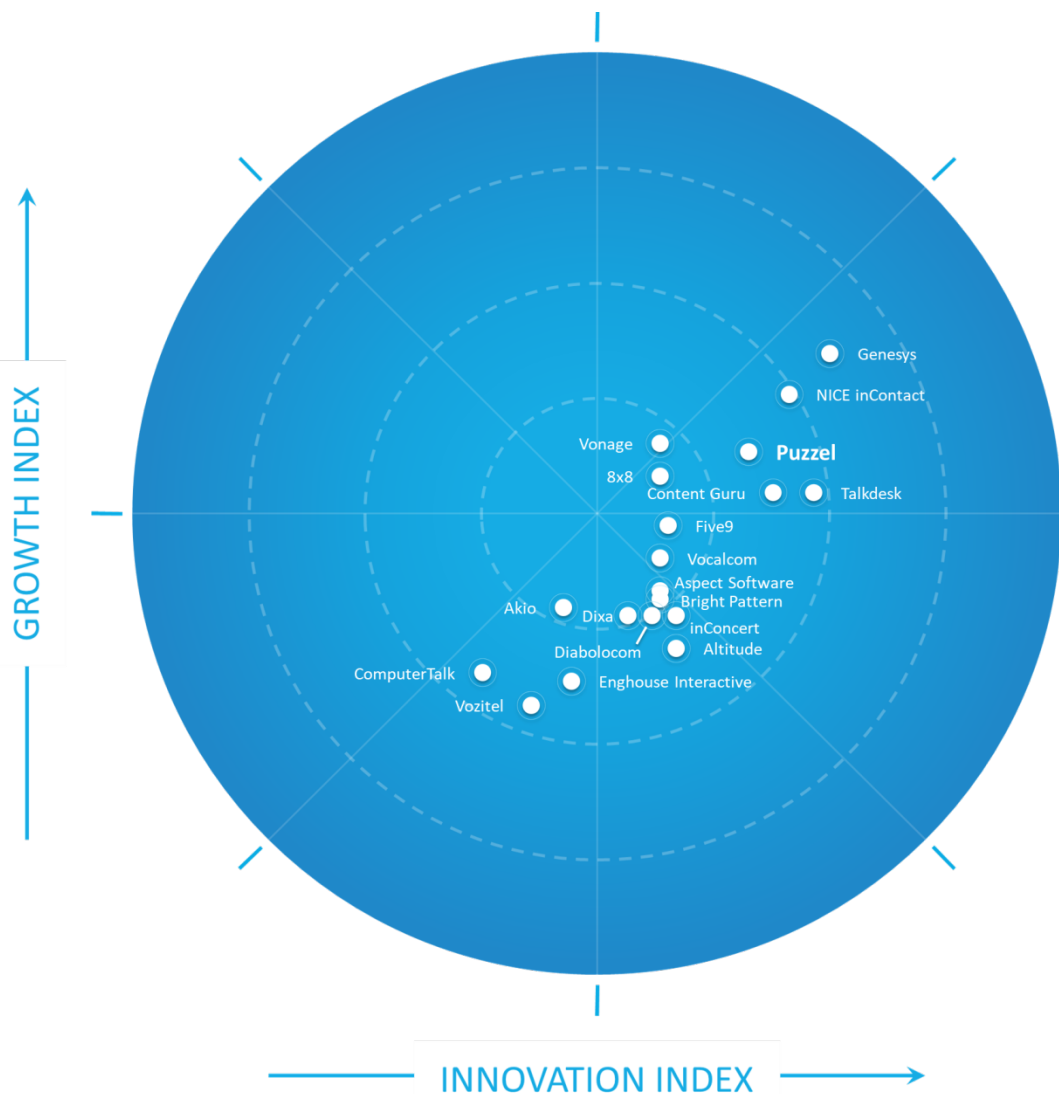
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Frost Radar™

European Contact Center as a Service Market
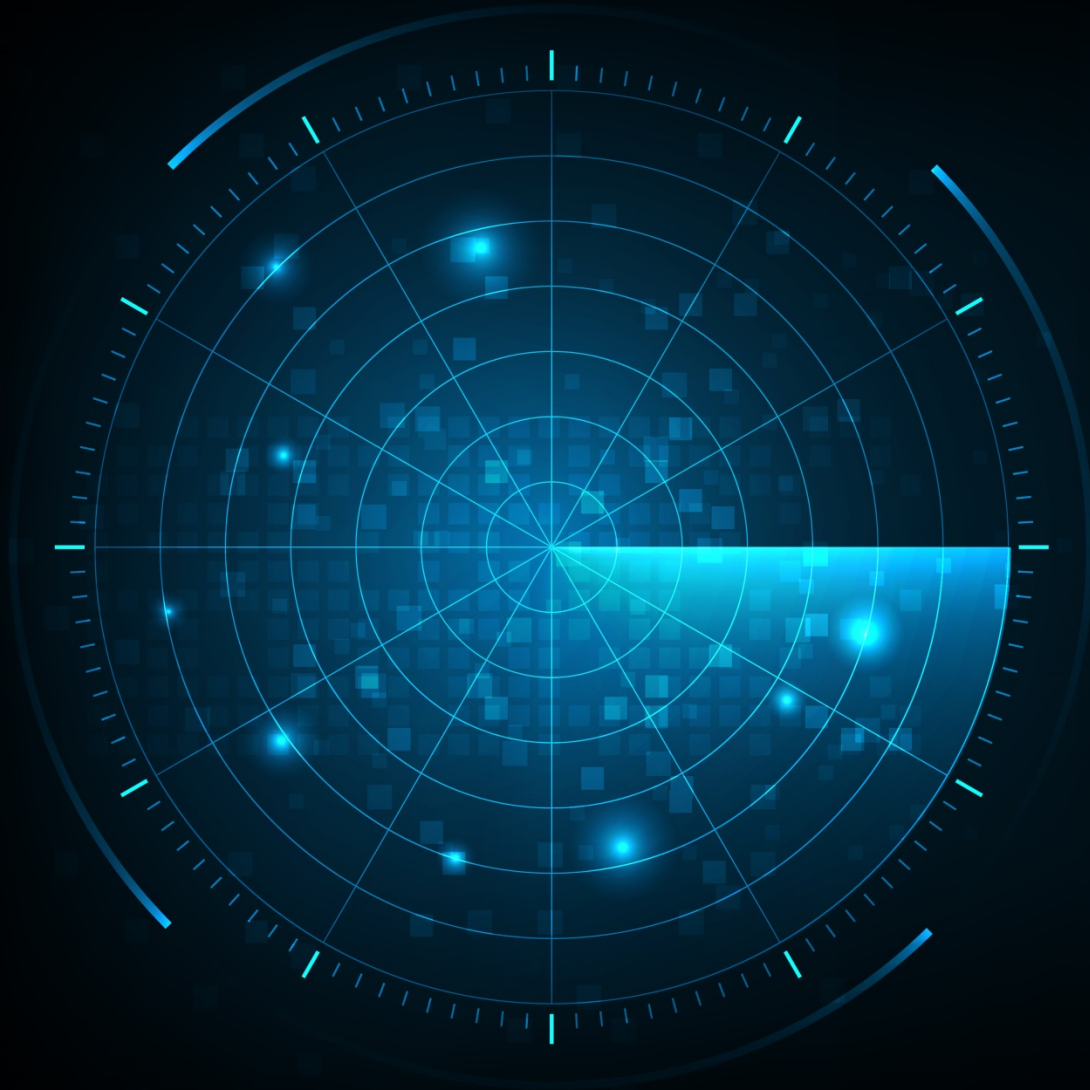
Frost Radar™: European Contact Center as a Service Market

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

Frost Radar™: Competitive Environment

- The ultra competitive CCaaS market has undergone many changes in the last five years and experienced strong growth, with four parallel and complementary trends evident:
  - Continuous transition from contact centers using on-premise/hosted to cloud-based solutions
  - Emergence of several European vendors such as Dixa
  - Entry of major and medium-sized non-European vendors including Five9, Talkdesk and 3C Logic
  - Shift from traditional on-premises vendors to new cloud-based strategies, encompassing providers such as Genesys, Vocalcom, Aspect Software, and Enghouse Interactive
- Many of the largest vendors have been incorporating new capabilities into their solutions through the acquisition of small European CX-related companies. For instance, in the last year, NICE inContact acquired Czech start-up Brand Embassy to incorporate new digital channels; Content Guru acquired Weston Digital Technologies (UK) to add video chat capabilities; and Enghouse acquired France-based Eptica, which offers conversational and collaborative solutions powered by AI.
- To date, there has been limited market penetration by large non-European vendors such as Aspect Software, Five9, Talkdesk and 8x8. Genesys, NICE inContact and Vonage were among the few able to consolidate due their best-in-class innovation capabilities and the development of extended networks with local partners.
- A shifting focus of small and medium-sized vendors from simple integrations to performing new and deeper partnerships has been evident, with complementary solutions from UC, collaboration, WFO, AI, CRM, and a wide range of other potential solution partners (e.g., with Microsoft Teams, AWS, Service Now, etc.).

Source: Frost & Sullivan

Frost Radar™: Competitive Environment (continued)

- Vendors have been trying to expand their omnichannel capabilities and target new customers by incorporating channels that are popular in Europe, notably Facebook Messenger, Instagram, Twitter, and WhatsApp. A small number of vendors have also targeted video chat (e.g., Content Guru, 8x8, Bright Pattern, and Enghouse Interactive).

- Some European home-grown vendors gained relevant market share at the national level. Diabolocom, Akio, and Vocalcom in France; inConcert and Vozitel in Spain; Content Guru in the UK; and Puzzel and Dixa in the Nordic countries.

- Many vendors (e.g., 8x8, Five9, Diabolocom, and inConcert) have been trying to differentiate from the competition by offering advanced professional services, including business consultancy, contact center management, mentoring, and evaluation services.

- In the last two years, vendors of all sizes have focused on expanding deployment options (public: AWS, Azure, IBM, Google Cloud; private; and hybrid cloud) as well as adopting a micro-services architecture to provide new functionalities more quickly. Vendors will continue to diversify and expand their deployment offerings in the next five years.

- Some vendors have managed to enhance their platforms' add-on capabilities by developing native application marketplaces that allow customers to integrate the CCaaS solutions with hundreds of third-party applications. The following vendors have been particularly active in this regard: Altitude, Five9, Genesys, NICE inContact, Puzzel, Talkdesk, Vocalcom and Vonage.

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Companies to Action

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

Puzzel

FROST RADAR™ LOCATION	GROWTH	INNOVATION	NEXT STEPS
• Puzzel is positioned on the top right of the Frost Radar™. Its consistent growth and innovation pipeline in the last two years justify its strong competitive position. • Puzzel's flair for understanding market demands and the importance of pursuing innovation has helped the company to position itself as a market leader. Puzzel 's recent focus has been on enhancing its omnichannel and integration capabilities and improving its admin tools and bots. • As a pioneer in the CCaaS industry, Puzzel is actively embracing mega trends to drive growth, with an increasing focus on long-term strategies.	• Puzzel holds an important market share in the European CCaaS space, in particular in the Nordics where it is the market leader. • The acquisition of Puzzel by Marlin Equity Partners in 2019 provided Puzzel with funds and resources for new acquisitions and further R&D investments. Recently, Puzzel acquired Logical Ware, a provider of email automation and customer service software , and U-WFM, an advanced, cloud-based WFM/WFO platform. It also developed its own native app marketplace. • A robust growth pipeline supported by its partner ecosystem and innovation focus have helped Puzzel offer cutting-edge CC services to its customers.	• In the last two years, the company announced the launch of several new value-added features. Its recent introduction of new models of assisted agents and bots and the development of novel administrators and supervisor tools attest to Puzzel's initiative in leading the market towards advanced all-in-one solutions. • The recent launch of a native marketplace, which includes 38 apps, is the latest addition to the platform and provides advanced customization capabilities to users. Likewise, Puzzel developed new integrations with Dynamic CRM and Salesforce platforms .	• Puzzel's business culture related to the Nordics and the UK markets may need to be revised with the potential expansion of the company to Southern European markets. • Puzzel can extend the offering of its native app marketplace to match the app portfolio and customization capabilities of its closest competitors. • Puzzel relies mostly on a direct sales strategy that constrains its ability to make new business or support clients outside the Nordics and the UK. Puzzel can favor a stronger reseller partner ecosystem to support its regional expansion plans.

Source: Frost & Sullivan

Strategic Insights

Strategic Insights

1 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.

2 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.

3 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.

Source: Frost & Sullivan

Next Steps: Leveraging the Frost Radar™ 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.

Source: Frost & Sullivan

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**

Source: Frost & Sullivan

Frost Radar™ Empowers Investors

STRATEGIC IMPERATIVE	LEVERAGING THE FROST RADAR™	NEXT STEPS

- Deal flow is low and competition is high.

- Due diligence is hampered by industry complexity.

- Portfolio management is not effective.

- 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.

- **Growth Pipeline™ Dialogue**

- **Opportunity Universe Workshop**

- **Growth Pipeline Audit™ as Mandated Due Diligence**

Source: Frost & Sullivan

Frost Radar™ Empowers Customers

STRATEGIC IMPERATIVE	LEVERAGING THE FROST RADAR™	NEXT STEPS

- Solutions are increasingly complex and have long-term implications.

- Vendor solutions can be confusing.

- Vendor volatility adds to the uncertainty.

- Customers have an analytical framework to benchmark potential vendors and identify partners that will provide powerful, long-term 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.

- **Growth Pipeline™ Dialogue**

- **Growth Pipeline™ Diagnostic**

- **Frost Radar™ Benchmarking System**

Source: Frost & Sullivan

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™**

Source: Frost & Sullivan

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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