

NEAT EVALUATION FOR ARVATOCONNECT:

CX Services Transformation

Market Segment: Cost Optimization Capability

Introduction

This is a custom report for ArvatoConnect presenting the findings of the NelsonHall NEAT vendor evaluation for *CX Services Transformation* in the *Cost Optimization Capability* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of ArvatoConnect, and the latest market analysis summary.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering Customer Experience (CX) transformation services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall and with specific capability in CX improvement, cost optimization, and revenue generation.

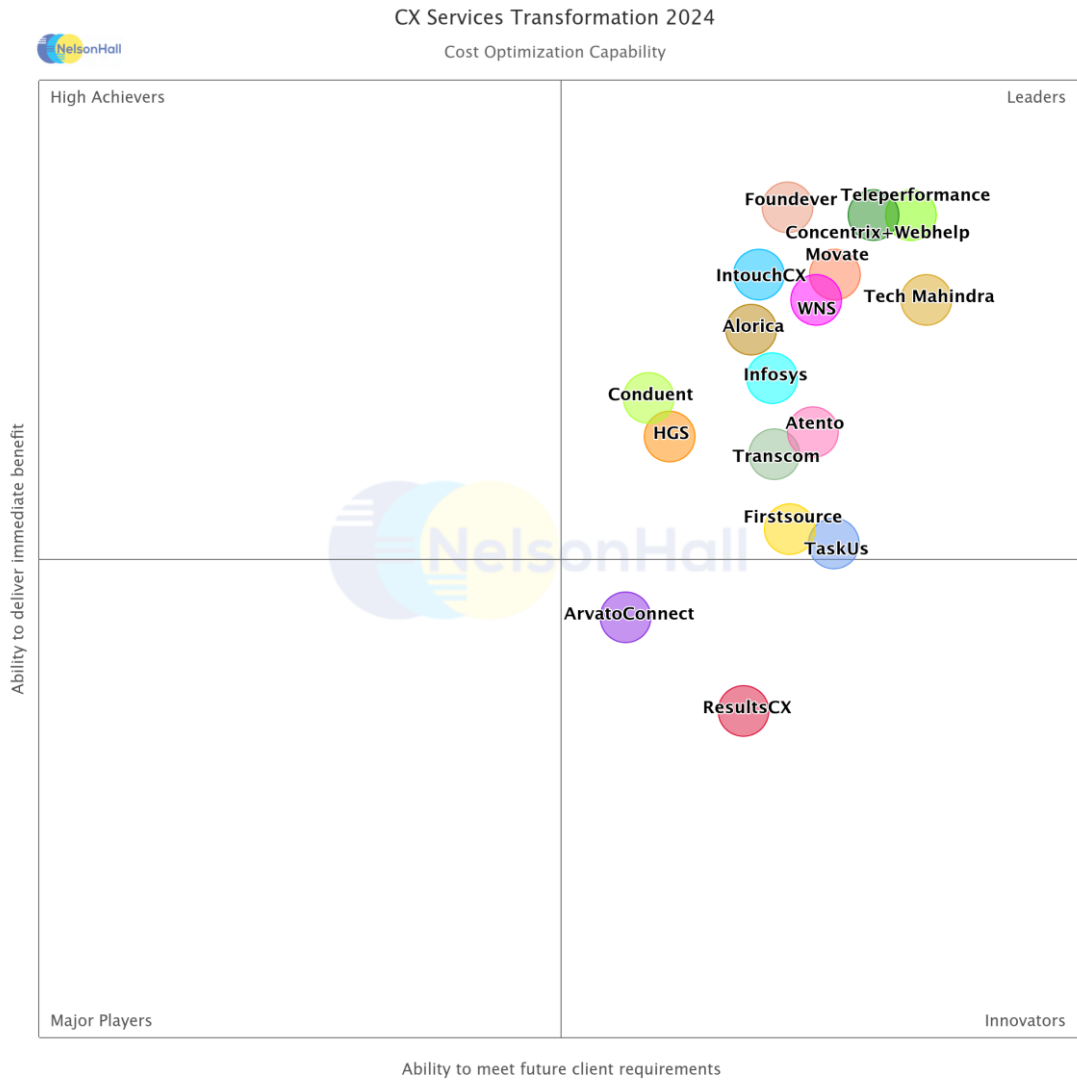
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Alorica, ArvatoConnect, Atento, Concentrix+Webhelp, Conduent, Firstsource, Foundever, HGS, Infosys, IntouchCX, Movate, ResultsCX, TaskUs, Tech Mahindra, Teleperformance, Transcom, and WNS Global Services.

Further explanation of the NEAT methodology is included at the end of the report.



NEAT Evaluation: CX Services Transformation (Cost Optimization Capability)



NelsonHall has identified ArvatoConnect as an Innovator in the *Cost Optimization Capability* market segment, as shown in the NEAT graph. This market segment reflects ArvatoConnect’s ability to meet future client requirements as well as delivering immediate benefits to its CX services clients with specific capability in optimizing cost.

Innovators are vendors that exhibit a high capability relative to their peers to meet future client requirements but have scope to enhance their ability to deliver immediate benefit.

Buy-side organizations can access the *CX Services Transformation* NEAT tool (*Cost Optimization Capability*) [here](#).



Vendor Analysis Summary for ArvatoConnect

Overview

ArvatoConnect is a private CX services and BPS provider headquartered in Datchet, U.K. ArvatoConnect is part of Arvato Group, a division of the Bertelsmann SE & Co. conglomerate with ~€19bn annual revenues (NelsonHall 2023 estimate). ArvatoConnect provides CX services, F&A, HR, payroll, procurement, IT services, and industry-specific BPO for the mobility, retail and ecommerce, public sector, BFSI, and media and gaming sectors. It also delivers intelligent automation, process orchestration and decision-making, insights and analytics, data security and privacy, and ERP. In February 2024, ArvatoConnect rebranded from Arvato CRM Solutions.

ArvatoConnect's CX services include: customer care; account management; technical support; billing and payment processing; lead generation; IB/OB sales; campaign management; upsell and cross-sell; retention and loyalty management; credit management and debt collections; fraud management and KYC; service and product activation; order processing; document management; and industry-specific contact center back-office activities, such as financial applications processing. It also provides: CX analytics; reporting and BI and insights, RPA and RDA; intelligent automation; chatbots; workflow orchestration; ML and AI; GenAI; conversational AI; and digital channel enablement. It delivers QA and WFM. It consults and implements CX transformation; cloud CX infrastructure migration; process re-engineering; knowledge management services; employee learning and development; and agent augmentation.

ArvatoConnect has ~1.5k employees, including 800 front-office employees in the U.K. sites and WAH.

It has ~20 CX services clients in the U.K., such as automotive manufacturers and mobility brands; ecommerce, retail, CPG, and fashion; media companies; high-tech and software platforms; government organizations and ministries, central and local public entities and agencies, and charities. ArvatoConnect is an outsourcing partner in the U.K. Crown Commercial Services framework.

The company has a suite of proprietary platforms for intelligent automation, agent assist, knowledge management, and CX transformation roadmap building.

Financials

NelsonHall estimates ArvatoConnect's CX services revenues for CY 2023 at ~£75m (~\$100m).

Strengths

- Advanced intelligent automation practice with comprehensive framework, IP, and deployments across domains and verticals
- Strong public sector presence with established programs across front and back-office services
- Investments in automated process discovery and digital orchestration, with live CX services implementations
- Investments in automated QA and compliance for regulated industries



- Support for CX-adjacent LOBs in content management
- Access CX services cross-sell opportunities with the wider group.

Challenges

- Could develop CX operations transformation service capabilities into separate offerings
- Could invest further in the analytics practice for a full range of data, analytics, and insight services covering CX services
- Could accelerate the use of analytics expertise in end-to-end employee talent management
- Could accelerate the adoption of GenAI in reporting, agent augmentation, and customer-facing applications.

Strategic Direction

ArvatoConnect leverages its CX services and BPS expertise in both the private and public sectors and its agility as a flexible player to transform customer journeys with quick pilots. The company is integrating intelligent automation, intelligent decisioning, and process mining solutions with a human in the loop with the objective of growing its digital revenue. It aims to create a unified workforce, combining human and bot delivery, which interoperates naturally to achieve cost savings beyond offshoring. At the same time, the company's vision is to balance automation, AI, and human support to maximize business outcomes by eliminating repetitive tasks and simpler interactions through self-service. The goal is to augment live agent support to handle more complex and unstructured customer interactions with value-add. The company employs both automation-led projects to enter new clients and outsourced CX services with technology interventions to grow existing accounts.

ArvatoConnect continues to enhance its automation tool stack, such as the process discovery engine, to understand the scope of possible automation. On the back of its existing deployments of ADE in the automotive sector, ArvatoConnect is now looking to run it with all new client engagements.

Also on the development roadmap are next-best-actions and GenAI capabilities in the email decision tool. Example use cases are in technical troubleshooting. Using NLP, image recognition, and deep learning techniques, the company is building agent assist tools to retrieve and provide contextual information for increased productivity and accuracy. Target processes are refunds and returns management.

For agent augmentation, ArvatoConnect is enhancing its compliance offering for regulated industries with:

- *Real time assurance*: where ArvatoConnect identifies customer intent and provides realtime guidance to agents
- *Post-interaction monitoring*: with automatic analysis and assessment of 100% of interactions across channels to identify, escalate, and address trends, risks, and compliance issues
- *Insights*: to understand the customers and their experiences and drive CX improvements.

The company will continue its investments in low-code decision automation development to link complex front-office conversations to back-office workflows. Part of this approach is



upskilling RPA with integrated decisions and workflows. Target processes are in the back office, particularly in supply chain, such as data capture, clustering information on the document, and sending the document to relevant employees. Another development is in casework management for solving operational challenges and allowing the company to view and orchestrate workflows in a centralized place.

In analytics and AI, the company is building models using behavioral science to identify target customer segments for outbound campaigns to align customers to agents based on demographics, profiles, propensity to buy, and interests. The customer profile will also use social media data. ArvatoConnect will use propensity modeling to contract clients on outcomes. The first implementation is with a U.K. public sector entity. A complementary effect of propensity modeling is employee satisfaction with the improved match with interested customers. ArvatoConnect is also exploring AI applications in automated QA via text and speech analytics.

In talent management, ArvatoConnect works with a third-party analytics provider specializing in employee attrition analysis to predict retention levels. Next, it looks to implement these analytics for customer churn predictions. Another third-party technology partnership is with a developer of an income expenditure self-service tool that operates offline in a natural language and assists customers with sensitive financial advice.

The company is actively featuring its ESG and impact sourcing practices for both the public and private sector to address mandated and target requirements, such as environmental impact, and employing workers from underprivileged backgrounds. It created a specific Social Impact portal and board reporting on the topic and established a “Big Debate” employee representative forum for employees to discuss issues and strategy ideas directly with the CEO and CHRO. It also trains the whole organization in digital competencies, including through the internal training academy.

Outlook

ArvatoConnect has a mature automation practice integrated with its CX services delivery, addressing main client requirements for cost optimization, improved efficiency and accuracy, and increased compliance. A strong asset here is the automation practice with domain experts and IP, including for process mining. An additional feature is the investment in know-how for the U.K.’s Consumer Duty Act to support regulatory compliance. These business objectives closely align with current and future requirements in its target sectors, particularly financial services. ArvatoConnect’s agile and nimble CX services for selected client segments and adjacent industries allow the company to prioritize the delivery of domain expertise at the subprocess level.

The company is also well-positioned in the U.K. public sector with domain expertise across front, middle, and back office, allowing it to capture a greater market share. A key capability here is the effective integration of advanced commercial models with CX technology roadmaps, where the vendor has the knowledge and experience in consultative selling. An area to explore is productizing CX operational capabilities in learning and development and knowledge management to support the extended client network of captive and third-party operations.

Expect further investments in IP to support automated workflow orchestration to reach the next stage of human-machine CX delivery. Further, look for additional deployments of its propensity analytics models in additional sectors, such as retail.

Look for ArvatoConnect to extend its client base into additional sectors and capture opportunities from the wider Bertelsmann conglomerate.



CX Services Transformation Market Summary

Overview

During 2023-24, CX services organizations are challenged by softer client volumes in core industries (telecom, high tech, and retail and ecommerce), market volatility, and increased pressure from external factors such as weaker macroeconomic performance, decreasing but high labor cost inflation, talent shortage, supply chain disruptions, regulatory changes, political, environmental, and cybersecurity threats.

From a sector perspective, banking, financial services, fintech, and healthcare insurance have above-market growth rates, while public services are returning to their traditional moderate levels. Despite the softer short-term performance, retail and ecommerce are still the fastest growing sectors (6.0% CAAGR). Ecommerce has a positive medium-term outlook due to underlying growth engines, such as a shift to online shopping, expansion of digital-first buying generations, and direct-to-consumer business models. Transportation (including hospitality, passenger services, travel, and logistics) has a promising growth path, and will reach 5.7% of the total market by 2028.

The impact of AI and automation as a replacement for live agent support is the most significant medium-term disruptive factor for CX services, but the 2024-2025 effects will be relatively low, with vendors actively investing in conversational AI, GenAI, AI translation, and agent augmentation platforms to reduce costs, optimize operational performance, improve CX KPIs, upskill and retain talent. At the same time, the industry is actively shifting work volumes to nearshore and offshore destinations to access suitable digitally-skilled employees under labor cost arbitrage.

In the medium to long-term period between 2025 and 2028, the new generation of consumers will drive greater adoption of AI-based support, require multimodal support across voice and digital channels, and evolve the relationship with brands.

Buy-Side Dynamics

The application of customer-facing bots and intelligent IVRs is at the top of clients' minds, and they are most satisfied with the available cloud-enabled CX infrastructure and platforms.

The key buy-side drivers for the adoption of CX services transformation include requirements for:

- Application of customer-facing automation (e.g., chatbots, IVR, virtual assistants)
- Application of intelligent automation
- Cloud-enabled platforms and tools
- Application of analytics
- Consulting and process re-engineering
- Flexible pricing and commercial terms
- Use of lower-cost locations
- Use of work-at-home and gig work models.



The key target benefits for organizations for the adoption of outsourced CX services remain:

- Improved customer satisfaction (NPS/CSAT)
- Improved accuracy and compliance
- Effective talent sourcing and retention
- Increase in retention
- Deflection to digital channels
- Level of cost savings
- Increase in sales
- Resource scalability and geo diversification.

Additional buy-side factors in the adoption of CX services include:

- Specialized services, such as content moderation, trust and safety, user and platform safety, community management, integrated support for online marketplaces, L2 and L3 technical support, fraud prevention, KYC/AML
- End-to-end employee lifecycle management, including learning content design and optimization; virtual recruitment and onboarding using advanced selection algorithms, immersive environments, and virtual assistants; distributed workforce engagement and management; access to gig and flexible workers; and employee wellness and well-being frameworks and tools
- Additional operations insights for streamlined reporting and analytics such as visualization and dashboarding; competitor and market benchmarking; market and customer segmentation; speech and text analytics; VOC and customer feedback management; fraud analytics; analytics automation using GenAI; and capabilities to build and implement predictive analytics models, particularly in revenue generation services
- Improved efficiency and customer satisfaction with augmented agent levers such as knowledge base optimization, virtual assistants, recommendation engines, conversation guides, next-best-action and offer tools, and co-pilots
- Access to as-a-service offerings in knowledge management, WFM, QA automation, performance management, L&D management
- Cloud migration and cloud-based CX infrastructure to lower operational CAPEX
- Assistance with customer and employee experience and brand design, UX/UI, CX strategy, and business model transformation from a CX perspective through co-creation environments (e.g., labs and studios), innovation frameworks, and bottom-up democratized innovation ideation; technology partner ecosystems for lower cost and accelerated CX technology deployment; and flexible commercial models to support technology funding.



Market Size & Growth

The CX services market (excluding collections) is worth ~\$104bn in 2024, growing at 4% CAAGR to reach \$122bn in 2028. The main growth engine service lines are sales, retention, and content moderation.

The U.S. will remain ~29% of the global CX services market, with a solid 4% average growth rate compared to other established markets (U.K. at 2.5%, France at 3.4%, Nordics at 2.9%). Germany continues to perform strongly among EU states with a 4.2% CAAGR.

Among the emerging economies, India's domestic market growth rate of 6.2% CAAGR through 2028 outpaces China (5.4%), Brazil (4.2%), and the Middle East and Africa (5.6%) due to a growing middle class and positive macroeconomic trends.

Challenges & Success Factors

The main challenges to CX services transformation are infusing innovation across the entire client organization and customer journeys outside the remit of the CX function; effective change management and buy-in from key client stakeholders; legacy CX infrastructure with limited funding for re-investment; client industry uncertainty with demand volatility and unpredictable user behaviors slowing down decision-making cycles and contracting; and the need for solid business justification with business cases, ROI calculations, and POCs, running of pilots and trials, and use of sandbox environments to support the adoption of AI and emerging technology.

Key vendor success factors for organizations looking to outsource CX services transformation are:

- Domain knowledge at the sub-process level with ready-to-use digital assets
- Technology ecosystem of proprietary and/or third-party platforms for greater access to CX technology
- Roadmap of GenAI implementations across core operational areas: knowledge management, learning, QA, agent assist, analytics, and talent management
- Expertise in CX innovation beyond operational optimization with continuous insights, ideation frameworks, impactful account management targeting the relevant client stakeholders, and consultative selling
- Experience in CX transformation change management, transition governance, and post-implementation measurement and tracking
- Ability to ramp up and down operations to respond to highly fluid business environments
- Flexibility to adapt CX strategy to fast-changing customer expectations benchmarked across sectors and competitor moves
- Investments in emerging technology, such as GenAI, AI voice, and conversational AI to build internal capabilities in both resources and platforms.



Outlook

Over the next four years:

- The global CX services market (expected to reach ~\$122.5bn in 2028) will include embedded consulting, operational transformation, contact center technology services, cloud migration, automation, and analytics as an integral part of CXS delivery
- The fastest expanding client sectors will be ecommerce and retail, BFSI, healthcare payer, media, gaming, and entertainment
- The market structure is evolving to a consolidated top 10 vendors and forming a leadership pack of six or seven global players with diversified front office services and BPS portfolio. M&A activity will drive vendor consolidation to achieve scale and client market share, build specialized domain and sector capabilities and acquire consulting and technology resources
- Major success factors will be CXS vendors' ability to reimagine the customer journey, deliver and govern CX service transformation, create an ecosystem of in-house and partnership CX technology, offer sub-process domain specialization, and show expertise in talent management, upskilling, and retention
- CX services clients will rebalance their delivery portfolio, emphasizing nearshore and offshore with a growing use of gig and freelance workers. Approximately 44% of the global CX services workforce will work remotely or in a hybrid environment
- By 2028, most new CX programs will have outcome-based pricing tied to gainsharing or cost reduction.



NEAT Methodology for CX Services Transformation

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet future client requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet future client requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders:** vendors that exhibit both a high capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements
- **High Achievers:** vendors that exhibit a high capability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet future client requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet future client requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players:** other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.



Exhibit 1

‘Ability to deliver immediate benefit’: Assessment criteria

Assessment Category	Assessment Criteria
Offerings	<ul style="list-style-type: none"> Range of CX transformation offerings CX consulting and design capability CX analytics, automation, AI, and cloud enablement capability CX omnichannel, agent augmentation, and conversational AI capability Operations transformation capability
Delivery	<ul style="list-style-type: none"> Scale of managed services resources Suitability of delivery North America Suitability of delivery EMEA Suitability of delivery APAC Suitability of delivery Latin America Scale and maturity of transformation resources Application of analytics and insights Application of RPA and intelligent automation Application of GenAI Enablement of digital channels, bots, and conversational AI Application of cloud-enablement Conversation design and AI voice Application of end-to-end talent management models Application of technology to enhance talent management Application of agent augmentation technology CX operations re-engineering models and frameworks CX innovation infrastructure Development of an ecosystem for CX transformation
Market Presence	<ul style="list-style-type: none"> Scale of CX transformation projects Scale of client presence in CX transformation Market momentum
Benefits Achieved	<ul style="list-style-type: none"> Level of customer experience improvement achieved Level of revenue enhancement achieved Level of cost savings achieved Level of operations transformation achieved



Exhibit 2

‘Ability to meet client future requirements’: Assessment criteria

Assessment Category	Assessment Criteria
Investment in CX Ops Transformation	<ul style="list-style-type: none"> Investment in development of customer satisfaction Investment in development of revenue generation capability Investment in development of cost optimization capability Investment in development of analytics, GenAI, and cloud Investment in development of digital channels, conversational AI, and bots Investment in development of agent augmentation technology Investment in development of talent management Investment in development of end-to-end digital transformation Investment in support of CX co-innovation and reimagination
Perceived Suitability by CXS Clients	<ul style="list-style-type: none"> Perceived effectiveness in CX transformation services Perceived effectiveness in the application of customer experience improvement Perceived effectiveness in the application of revenue generation Perceived effectiveness in the application of cost optimization Mechanisms in place to deliver client innovation through CX consulting & design Mechanisms in place to deliver client innovation through analytics, automation, cloud Mechanisms in place to deliver client innovation through delivery models Extent to which client perceives that innovation has been delivered Suitability of vendor to meet future needs of client Perceived suitability as key partner

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.



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Sales Inquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager: Guy Saunders at guy.saunders@nelson-hall.com

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