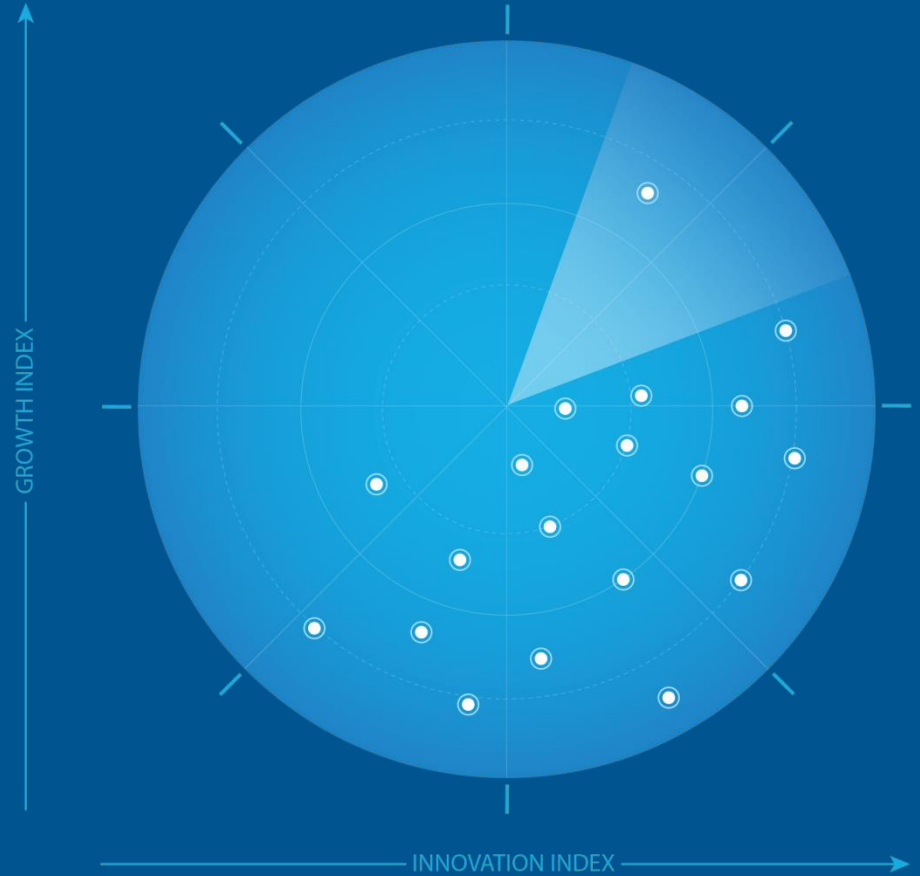# FROST & SULLIVAN

Frost Radar™: Cloud Contact Centers in Latin America, 2024

Authored by: Sebastian Menutti

Contributions by: Alpa Shah, Krishna Baidya, Bernardin Arnason

KA99-76
July 2024

Strategic Imperative and Growth Environment

Strategic Imperative

Factors Creating Pressure on Growth

- While the pace of innovation in the CCaaS space accelerates, customer satisfaction rates are decreasing according to the Institute of Customer Service. Until now, the infusion of AI into the customer journey focuses on reducing costs, rather than on optimizing the customer experience (CX). This trend follows a certain logic: there is a gigantic cost-saving opportunity at play with AI-based automation and self-service because nearly 80% to 90% of expenses in customer service revolve around salaries. Some Latin American organizations are following this path and reducing their agent headcount by 10% to 20%. However, many customers still become frustrated when interacting with brands. There is a visible improvement window in sight.

- Almost 20 years ago, Bain Company theorized about the delivery gap: while 80% of companies believe they provide a superior CX, only 8% of customers feel organizations differentiate through experience. More recently, another survey by Acquia stated that 82% of marketers believe they meet customer expectations regarding CX. Still, only 10% of consumers strongly believe that most brands satisfy their CX needs. The gap has not narrowed at all.

Strategic Imperative

Factors Creating Pressure on Growth

- The current macroeconomic environment and negative expectations have constrained the budgets and financial resources of most organizations, which has caused them to become more budget-conscious and to delay and/or reduce spending. This is a key growth restrain in the marketplace today.

- There is a growing demand for domain-specific AI-infused solutions that focus on CX while maintaining enterprise-grade security and scalability standards. AI solutions purpose-built for CX use cases—incorporating generative AI (GenAI) and large language models—play a pivotal role in revolutionizing the CX domain, particularly in elevating the efficiency of customer service agents, and delivering self-service experiences. By incorporating AI-powered products, organizations empower their agents with tools that automate routine tasks, allowing them to allocate more time and attention to complex customer issues.

Source: Frost & Sullivan

Strategic Imperative

Factors Creating Pressure on Growth

- Within organizations, the selection committee for CCaaS providers has expanded. Traditionally, the main buyer persona was the IT department. Today, the conversation also involves the lines of business (sales, marketing, operations, human resources) which tend to have specific requests and business outcomes in mind that are brought into the negotiation. CCaaS providers must learn how to engage these new buyers.

- Having a full-fledged portfolio and infusing GenAI in most processes in the contact center is a sine-qua-non condition to stay competitive in the CCaaS landscape. Suites today go far beyond managing inbound and outbound voice and digital customer interactions, and many include:

  - Omnichannel CX orchestration

  - Self-service and autopilot for text and voice

  - Agent-assist and co-pilot

  - Knowledge management

Strategic Imperative

Factors Creating Pressure on Growth

- Workforce management and engagement

- Automated quality monitoring

- Auto transcription and summarization

- Open APIs and pre-set tight integrations with third-party or proprietary solutions for: Customer relationship management (CRM)

  - Enterprise resource management (ERP)

  - Business analytics

  - Coaching

  - Training

  - Onboarding

  - Offboarding

Strategic Imperative

Factors Creating Pressure on Growth

- External communication systems such as third-party private branch exchange (PBX)

- Other business functions applications (sales, marketing, finance and accounting, manufacturing, human resources)

- Ability to tailor the deployment architecture (on-premises, on-cloud, hybrid, multi-cloud) and establish migration paths.

Growth Environment

- The Latin American cloud contact center market achieved $331 million in revenue in 2023, 21.9% more than in 2022. This growth's main driver was the accelerated migration from premises-based contact center implementations even in segments traditionally reluctant to move to the cloud, such as banking, financial services, and insurance (BFSI) and business process outsourcing (BPO). As organizations increasingly realize that providing superior CX is fundamental for competitive differentiation, they respond to growing customer expectations by delivering seamless, effortless, memorable customer journeys. This need for better CX drives sustained growth in this market and will spark several growth opportunities in the coming years.

- There was a considerable uptake of WFO and WEM, and reporting and customer analytics, especially among large enterprises in the BFSI and retail sectors, as they increasingly focus on the employee experience (EX) of on-site and remote agents, and on creating hyper-personalized customer journeys.

Source: Frost & Sullivan

Growth Environment (continued)

- Cloud CCaaS penetration varies across the different countries and regions in Latin America. Nevertheless, countries that had comparatively lower adoption are catching up. Market growth rates differ by country, with the highest being in Mexico, Peru, Ecuador, and Paraguay. In contrast, Chile, Colombia, and Brazil, as well as Central America and the Caribbean as a region, experienced lower growth rates per a higher penetration. Overall, the Latin American market will attain a compound annual growth rate (CAGR) of 16% between 2024 and 2028.

- Frost & Sullivan did not feature some established CCaaS solutions vendors in this analysis because their CCaaS offerings have not had a sufficient impact in Latin America at the time this research was conducted—i.e., Odigo, RingCentral, Content Guru, Thrio, GoContact (Broadvoice), Zoom. A few local companies (for instance, Tecnovoz and Digivox) are rapidly gaining positions in the marketplace. As a result, Frost & Sullivan expects this Frost RadarTM to become more populated in the coming years.
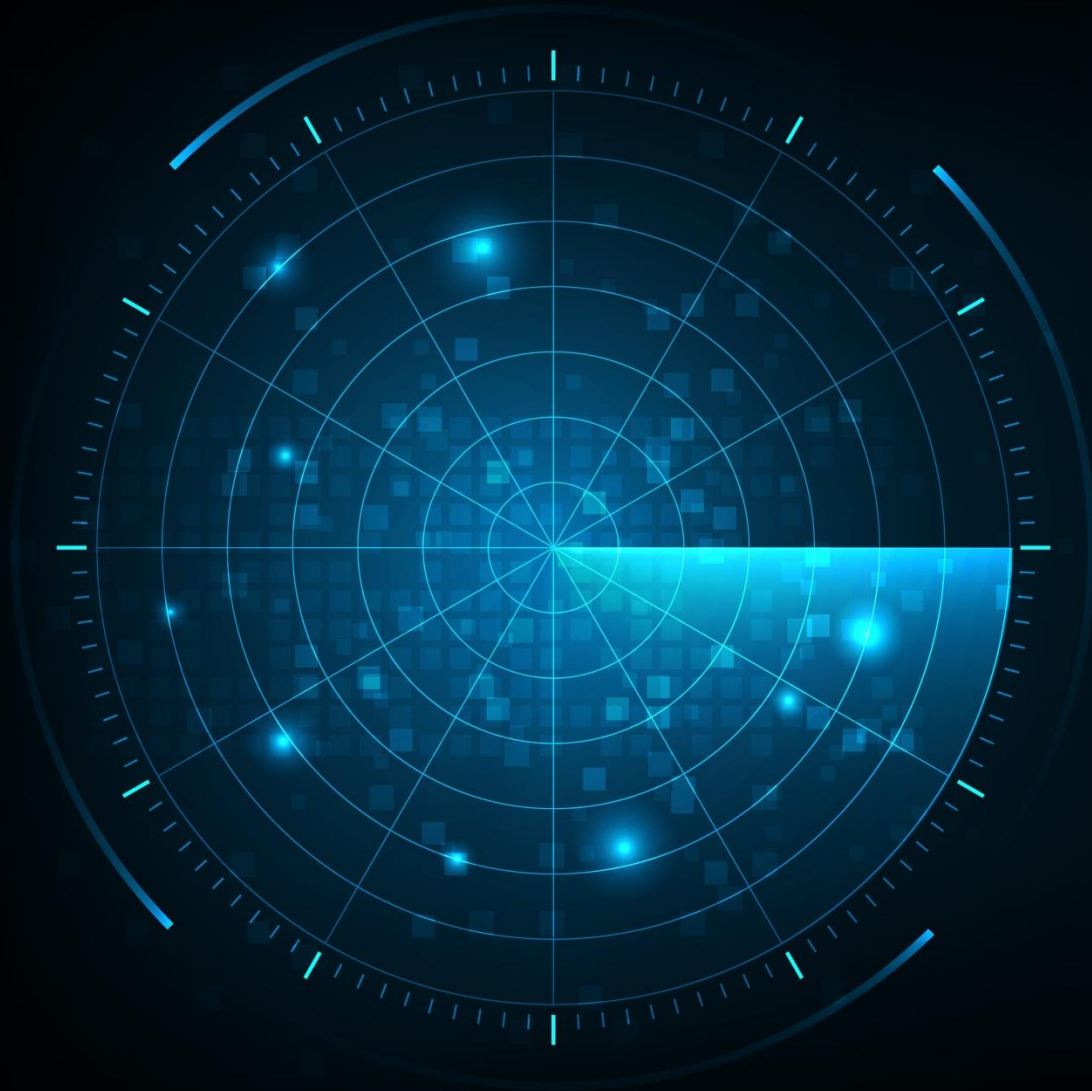
Source: Frost & Sullivan

Growth Environment (continued)

- Voice-based CCaaS seat prices are declining. In some countries, the competitive pressure of open-source and Chinese-based providers is accelerating this trend. However, the overall average revenue per user remains relatively flat as providers add more value to their bundles in the form of digital and AI-based components.
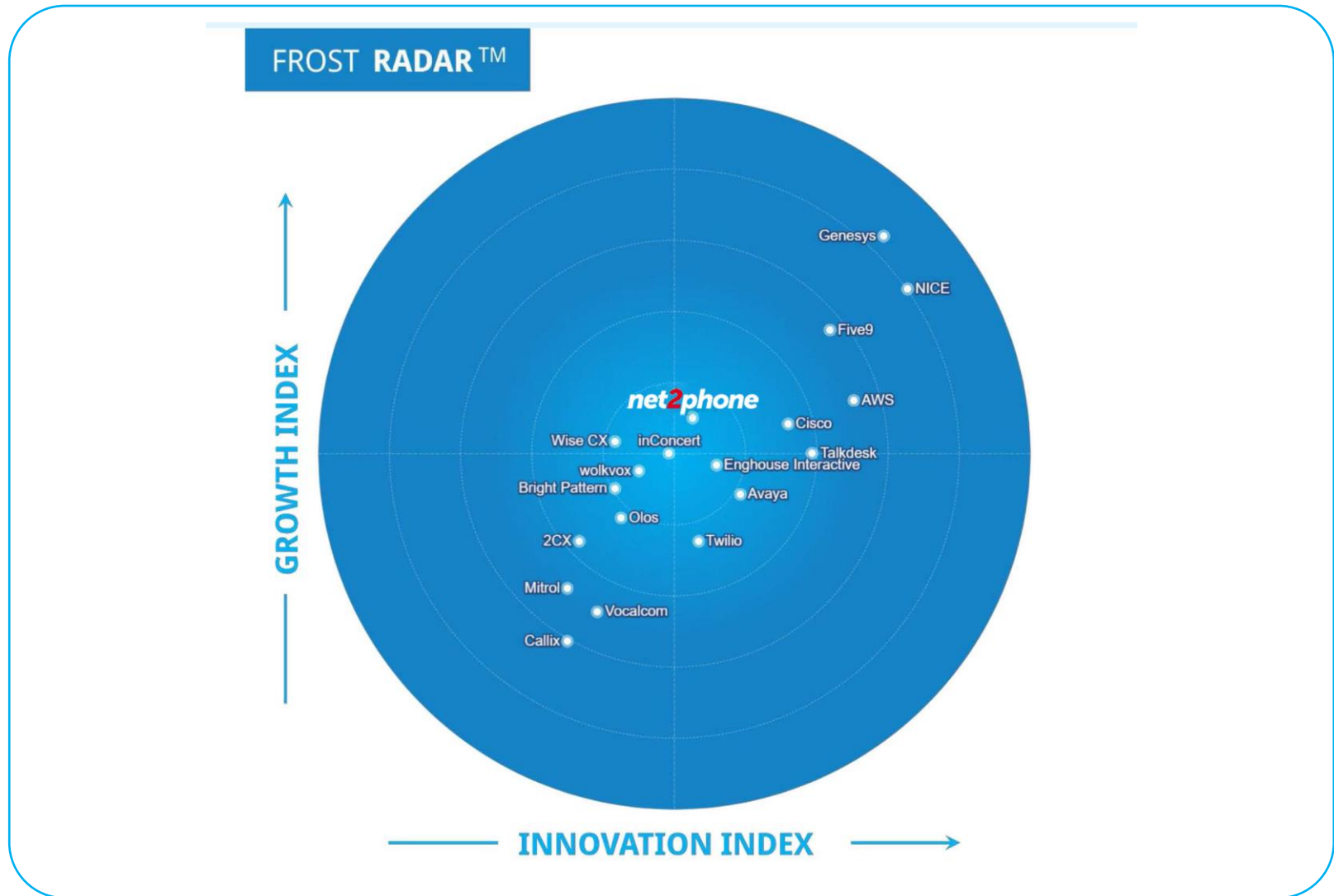
Source: Frost & Sullivan

FROST & SULLIVAN

Frost Radar™

Cloud Contact Centers in Latin America, 2024

Frost Radar™: Cloud Contact Centers in Latin America, 2024

Frost Radar™
Competitive Environment

- The competitive landscape in this industry is fragmented and expanding. Generative AI (Gen AI) facilitates new offerings' entry into the marketplace. Many of these do not support voice routing and, therefore, are not featured in this Radar, but they do provide viable alternatives for digital and self-service channels at lower price points.

- Leading market participants (Genesys, NICE, Five9, and AWS) gained market share and scaled positions in 2023 while emerging vendors (Talkdesk, Bright Pattern, GoContact, inConcert, and Infobip) experienced significant growth. Meanwhile, local and regional players (net2phone, WiseCX, 2CX, Callix, Olos, and wolkvox) continue to follow a solid growth trajectory, and traditional providers (Alcatel-Lucent Enterprise, Alvaria, Avaya, Cisco, Enghouse Interactive, Mitel, Mitrol, Unify, Verint, and Vocalcom) are doubling down on hybrid or fully-cloud developments. Telcos, value-added resellers, and system integrators continue to play a vital role in the marketplace as well (América Móvil, Telefónica, Inside One, e-Contact, Crossnet, Sixbell, Cirion, and Nuveto), although their relevance is moving from hosting to providing professional services.

Frost Radar™
Competitive Environment

- A big trend in 2023 was the migration of customers with on-premises deployments to cloud-based solutions. Most vendors with premises-based clients embarked on this process. A few developed a hybrid approach where they deliver digital channels and/or value-added services through the cloud, and the voice component remains on-premises. Born-in-the-cloud participants focused on winning new clients and transitioning them from the competition.

- Most players exhibited double-digit revenue growth in 2023 (the average is 24%) and expect a similar performance in 2024. Most of the companies featured in this Frost RadarTM have more than 50 customers and retained more than 90% of them as clients in 2023. Top 3 customers often do not account for more than 20% of revenue (this was closer to 5% to 8% for large players), while R&D ratio over revenues situates around 15% (higher for smaller players).

Frost RadarTM Analysis

- In a highly fragmented industry consisting of more than 100 organizations, Frost & Sullivan independently plotted the top 19 companies in this Frost RadarTM analysis.

Frost Radar™
Competitive Environment

- The vendors in the upper right (Genesys, NICE, Five9, and AWS), met key criteria, such as longevity of their offering in Latin America, consistent and increasing growth, strong go-to-market strategies, and heavy investments in the key trend areas, such as incorporating AI across platforms.

- Those in the lower right innovated in key areas at above-market rates with solid product roadmaps—but not at the pace and breadth of the upper tier. They were newer to Latin America with less relative growth or had less brand recognition in the region (Cisco, Talkdesk, net2phone, Enghouse Interactive, Avaya, Twilio).

- Market participants in the left half of the Frost RadarTM (inConcert, wolkvox, Wise CX, Bright Pattern, Olos, Vocalcom, 2CX, Mitrol, and Callix) significantly innovated or augmented their product suite. Nevertheless, they demonstrated less customer adoption or depth and breadth of their portfolio than those in the right half.

Growth Leaders

- In a high-growth environment, few providers have been able to stand out on the Growth Index: only three achieved a score of 4 points or higher (on a 5-point scale): Genesys, NICE, and Five9.

- Provider growth scores are based on historical performance (market shares and growth rates) and a perceived ability to sustain growth in the future.

Source: Frost & Sullivan

Frost Radar™
Competitive Environment

- Vendors with the brighter growth paths have:
  - A wide market reach with several value propositions tailored to different clients' needs
  - Strong and expanding partner ecosystems, which may include resellers, implementation arms, and customized solutions developers
  - A diversified footprint encompassing clients from several verticals and strong penetration of fast-growing industries
  - A solid brand recognition in the marketplace and active initiatives to reinforce it
  - The ability to leverage a robust, self-sustaining growth pipeline system with strong investment in emerging applications and solutions
  - A fully aligned vision and strategy that is up to date with the latest industry trends
  - A customer-focused approach and the ability to execute urgent client requests and service alterations
  - A comprehensive product portfolio, including the ability to integrate with leading third parties

Innovation Leaders

- The high level of R&D spending (an average of 18% of revenues) makes finding competitive differentiation in the CCaaS space increasingly difficult. While most of the companies featured in this Frost Radar performed well in the Innovation Index (scoring above 3 out of 5), only six of them achieved a score of 4 or more: NICE, Genesys, Talkdesk, Five9, AWS, and Cisco.

Frost Radar™
Competitive Environment

- Provider innovation scores are based on:
  - The ability to continuously produce novel products and solutions, which respond to pressing customer requests
  - The offering of standard services packages and the possibility to customize solutions for highly demanding clients with specific needs
  - The scalability of the innovations as well as actual customer adoption rates
  - The proactiveness to rapidly introduce new features (for example, after the launch of Chat GPT, many providers in this Radar created solutions based on it)
  - A clear product roadmap and the capacity to demonstrate to clients and prospects that they will benefit from continuous product innovation and value enhancement
  - Ownership and management of application marketplaces that allow customers to integrate their CC solutions with hundreds of third-party applications
  - In-region support and development capabilities
  - Being global pioneers in the field of CCaaS; or being a leader in R&D investment, with a well-established technology strategy/roadmap—both respectively the case for some providers featured here
  - Having a breadth of products that maximizes revenue across the market, in the case of a few providers

Source: Frost & Sullivan

Frost Radar™
Competitive Environment

- Distinguish themselves by offering advanced professional services, including business consultancy, contact center management, mentoring, and evaluation services, in the case of some vendors, such as Five9 and Genesys

FROST & SULLIVAN

Companies to Action:

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

Company to Action: net2phone

Innovation

- Unlike most CCaaS providers featured in this Frost RadarTM, net2phone holds a carrier license in many countries in Latin America (Argentina, Brazil, Chile, Colombia, Mexico, and Peru). With its robust UCaaS and session initiation protocol trunking offering, the company is a one-stop-shop and single bill for clients' enterprise communication needs.

- The company recently redesigned the interface of its CCaaS solution, allowing users to make and receive calls directly from the inbox, similarly to any digital channel (i.e., WhatsApp, chat, SMS, email).

- Its new analytics tool, Wallboards, enables users to customize the admin panel dashboard and personalize the control of their contact center activity.

- The company streamlined its licensing structure, moving away from distinct roles (Agent, Supervisor, Administrator) to a single, versatile license type with customizable permissions. This means no more separate licenses for separate roles—just one license with varying access levels based on user responsibilities.

Source: Frost & Sullivan

Company to Action: net2phone

Growth

- With more than 500 clients, net2phone experienced high double-digit revenue growth in 2023, with the expansion of the business to new geographies driving the rate. As a result, the company increased its market share to 3.2% in the Latin American CCaaS market, according to Frost & Sullivan independent research.

- While virtually all its latest sales require cloud environments, part of net2phone's customer base relies on premises-based systems.

- Since it acquired Integra in early 2022, net2phone has taken its CCaaS solution to new locations and cross-sold it to several of its UCaaS customers.

- While net2phone has offices and direct employees in eight countries in Latin America, the company sells its solutions to the entire region by leveraging its channel partners.

- net2phone has penetrated several verticals in different countries, including BPO, banks and financial services, retail, healthcare, telecom, government and education, and travel and hospitality.

Source: Frost & Sullivan

Company to Action: net2phone

Frost Perspective

- Compared to last year´s placement on this Frost RadarTM, net2phone has improved its positioning in both Growth and Innovation indexes.

- Most of net2phone CCaaS sales were in the SMB market segment in 2023. The company should expand upmarket, given that its feature-set and one-stop-shop capabilities allow it.

- The company has expanded its wallet share with most of its customers by incorporating new features or scaling up their seat numbers. net2phone should promote this in its marketing activities throughout Latin America.

Key Takeaways

Key Takeaways

1 The CCaaS landscape is shifting rapidly. GenAI will touch all parts of the contact center: self-service, live interactions, quality monitoring, workforce management, agent assistance, training, coaching, onboarding, reporting and analytics, routing, and operational management. As more companies leverage the same technology stack to produce similar solutions, competitive differentiation is harder to attain. Providers who can show the right expertise in managing complex deployments will have the upper hand.

2 GenAI also promises to make everything plug-and-play, and not bespoke, significantly reducing implementation costs and democratizing CCaaS. More and smaller businesses will get to access advanced contact center capabilities. As price points go down, larger providers will compete in the small and medium business (SMB) market segment.

3 As more organizations transition to the cloud, future growth opportunities will rely less on cloud migrations and more on increasing customer value by continuous process enhancement and constant innovation, to increase wallet share among existing customers as well as attract new ones. While developing and providing home-grown functionalities is a plus in the marketplace, so is tightly integrating with leading providers in different segments (i.e., WFO, WEM, analytics, AI-based coaching and learning, gamification, intelligent routing). The key lies in wisely orchestrating different platforms and applications to provide customers with a comprehensive value proposition.

Source: Frost & Sullivan

Key Takeaways

4

The future of CCaaS lies in streamlining the customer journey and facilitating the interaction between brands and consumers while meeting customer expectations and keeping costs at bay. Finding the optimal mix of auto-attended and co-attended might allow providers to differentiate in the marketplace. Depending on each interaction, customer engagement can be completely managed by automation and self-service interfaces or seamlessly handed off to live assistance with the full context if required and supported by back-office resources when necessary.

5

Low code and no code solutions are becoming the norm among CCaaS players. The providers are allowing non-technical leaders to set up and configure tools to manage client interactions, such as customer journey mapping, interactive voice response (IVR), chatbots, and intelligent virtual assistants. Coding expertise is no longer required for this, but business knowledge is.

Source: Frost & Sullivan

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.

Legal Disclaimer

Frost & Sullivan is not responsible for any incorrect information supplied by companies or users. Quantitative market information is based primarily on interviews and therefore is subject to fluctuation. Frost & Sullivan research services are limited publications containing valuable market information provided to a select group of customers. Customers acknowledge, when ordering or downloading, that Frost & Sullivan research services are for internal use and not for general publication or disclosure to third parties. No part of this research service may be given, lent, resold, or disclosed to noncustomers without written permission. Furthermore, no part may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the publisher.

For information regarding permission, write to: permission@frost.com