The future of the German contact centre and CRM market

How customer service 2.0 will change the German contact centre and CRM outsourcing market
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The future of the German contact centre and CRM market

A Introduction

The German service sector and its growth potential

Digitalisation is fundamentally changing the economy and the products and services it generates. Digital transformation is also affecting the way products and services are used. This particularly applies to products and services using new business models, such as e-mobility, mobility services, personalised medicine or online banking and payments. Queries from customers to the providers of these products and services are constantly on the rise, and the volume of customer enquiries is increasing considerably relative to the overall market volume for contact centre and customer relationship management (CRM) service providers.

While the market volume of the service sector was around €1.6 trillion in 2011, it is projected to increase to almost €2.1 trillion in 2018. This is mainly due to the fact that an increasing number of customers expect company contact centres to both process their enquiries quickly and offer personalised, round-the-clock services for a wide range of issues.

Today, products and services are becoming increasingly homogeneous, while product features, extra services and prices can easily be compared online. This makes the customer service experience a crucial differentiator on the market. In order for a company to remain successful, outstanding Customer Relationship Management (CRM) and customer services clearly differentiated from those of competitors are essential. In a digital world, products and the customer services that go with them can no longer be viewed in isolation: they need to be considered as a single entity. This is accelerating growth of the CRM outsourcing market in Germany: in the medium term, the market will grow from around €11 billion total sales in 2018 to around €13.2 billion in 2022, a compound annual growth rate (CAGR) of 4.2% for outsourced services and 5.0% for in-house services.

1 Cf. Chapter B “General market development”.  
Future-proof CRM: customer service 2.0

A significant proportion of customer service work in Germany is outsourced to external service providers. These include business process outsourcing (BPO) providers, who manage outsourcing of entire functional areas or core processes, as well as contact centre service providers and operators.

There are currently more than 200 such service providers in Germany, the top 20 of these employing 45,830 staff.3

Digitalisation and automation mean that contact centre providers’ service portfolios need to be adjusted to the demands of their clients. As a result, the technologies, working practices and qualifications used by contact centre providers are changing rapidly.

Until a few years ago, contact centre providers mainly offered 1.0 customer services i.e. services provided almost exclusively by human customer service agents and call centre employees. Today, customer service 2.0 has become indispensable. We define customer service 2.0 as customer services which include features such as:

- Integration of new technologies, especially artificial intelligence (AI), robotics such as chatbots and robotic process automation (RPA), voice and speech recognition (natural language processing, or NLP) or biometrics and messaging
- Increasing availability or use of digital channels such as mobile apps, chats, messaging services or self-service systems for customers to contact customer service
- Provision in connection with service-centric business models and use of digital media, for example in e-commerce, e-travel, smart homes, online food delivery, e-ticketing, online dating and connected mobility (electric mobility, connected cars, car sharing)
- Delivery by BPO or other external service providers as an integral part of services which may or may not be product-specific (e.g. onboarding services, supplier switching services, automated customer identification and authentication, data protection services, data deletion and archiving services, data mediation, identity management)

Human-machine interactions are rising in the CRM market

Against this background, human-machine interaction is developing and growing, so we have taken the opportunity to conduct market analysis focused on customer service 2.0.

We have investigated whether and how these services can add value and drive growth for contact centre providers and providers of CRM outsourcing services – and if so, how much – and what BPO clients expect from these services.

This ties in with our study published in June 2018, “The German contact centre and CRM service market – an analysis of environment, prospects, competition and levels of maturity”.4

Modern, future-oriented customer service requires both flesh-and-blood service agents and software-based service bots. These machines already answer millions of customer questions per year, respond to complaints, are used in recommendation management and provide other various other kinds of help and information. It is widely forecast that bots will soon be handling 70% to 80% of communications for companies which have to deal with a particularly large number of enquiries, such as banks, insurance companies and energy suppliers.5 Other industries, such as tour operators and airlines, are following suit, with new use cases and high levels of automation – for example, automatic rebooking if flights are cancelled or delayed.

Human-machine collaboration for the best customer service

Thomas Pannhorst, Head of Strategic Service Management at Deutsche Telekom Service GmbH

Deutsche Telekom’s purchase of 5G frequencies has allowed the company to adapt to the new market conditions for telecommunications service providers and secure its path to a competitive future. Offering the best network and outstanding products are key elements of our strategy, both for regular services and for 5G. However, offering the best customer service is what sets us apart from the competition and will become increasingly relevant in the future. Companies will soon be left behind if they lose focus on this issue and fail to invest in customer service.

Quality and capacity for innovation are critical when selecting partners

“Best employees + best IT and digitalisation = best customer satisfaction” is our guiding principle for investing in the expansion of customer service 2.0 competencies. This extends from chatbots and robotics to data analytics and AI, all of which we want to handle in-house. At the same time, we’re investing in employee skills. The expectation that issues will be perfectly solved at the first time of asking is characteristic of the demands placed on customer service. Waiting for service is becoming less and less acceptable to customers. Our goal is to use digital solutions in many areas; nevertheless, personal contact with customers remains very important. A significant part of our customer service budget goes into traditional outsourced contact centre services, such as call centres, work services, email services and social media services. Good quality and capacity for innovation are becoming increasingly important for us when selecting new partners, while existing partners are being brought in line with our strategy through appropriate management stimuli and new price models.

Service partner portfolio will grow broader and deeper

The services offered by customer service providers are well-aligned with demand, as can be seen in the availability of services across national borders, for example. Competition between providers is therefore assured, especially as requirements are becoming more and more specific. This is reflected in the development of our service partner portfolio, which is becoming increasingly differentiated. Our experience suggests that the market will continue to consolidate: in addition to very good international service partners with wide-ranging expertise, there will be specialised BPO providers with strong client orientation. Medium-sized providers will probably disappear.
Introduction

Fig. 1 What was the most annoying problem when using chatbots?

Respondents were allowed to choose two answers.

<table>
<thead>
<tr>
<th>Problem</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>They aren’t smart enough</td>
<td>22%</td>
</tr>
<tr>
<td>They stop and don’t answer my questions</td>
<td>32%</td>
</tr>
<tr>
<td>When I was put through to a real person, I had to repeat what I had already said to the chatbot</td>
<td>59%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

Voice recognition and voice modulation recognition can already be used together with AI to generate automated dialogue with voicebots, or suggest replies for customer service agents. However, generating automated dialogue with customer service agents is not yet possible, and real people are still required – for example, to tactfully deal with angry customers.

Source: www.chatbots.org.

At present, many chatbots do not offer sufficiently high-quality service to really satisfy customers and resolve issues quickly – ideally, this should be possible the first time the customer makes contact. For example, many chatbots do not work properly at the point where they forward enquiries to customer service staff – the so-called digital handshake. Customers are often dissatisfied with this process, as they have to repeat information to the customer service agent that they have already given to the chatbot.

Customers also criticise companies if their chatbots are not intelligent enough to give clear, definitive answers. Because of this, we firmly believe that high-quality customer service of the future will primarily depend on a good interface between human and machine.

We have not focused on product-related or production-related intelligent services linked to the internet of things (IoT) and industry 4.0 in this study.

However, a series of new demands are currently being placed on customer services by product-related services (linked to developments such as self-driving vehicles, remote maintenance, risk monitoring or production automation) and new service-centric business models (e.g. mobility services, infotainment, streaming or e-travel). The economies of scale of these business models can quickly lead to a very high volume of customer enquiries. Effective, high-quality CRM is therefore crucial to the success of these business models.
Global player with ambition

Oliver Carlsen, CEO at Majorel Germany and Eastern Europe

Our company has entered exciting times over the past year: together with the CRM arm of the Saham Group, we entered the market as a new company called Majorel. With around 50,000 employees in 29 countries, we are now a truly global player and have been able to expand our reach to the Middle East and Africa. At the same time, we have set ourselves ambitious growth targets and will continue to expand our network across the world to give us a leading global position.

Investment in digital skills

As well as focusing on operational excellence in our core business, we are continuing to invest in our digital capabilities. Last year, our new Chief Digital Officer, Shyan Mukerjee, established three global centres of excellence to strengthen our digital activities: AI, robotic process automation (RPA) and analytics. Development of industry-specific solutions is also an important issue, allowing us to provide our clients with optimal support in their industry-specific processes. By merging with Saham, we can draw on even greater and more diverse industry expertise.

People, business and automation

Despite the trend towards automation, we are convinced that our business will always remain a people business. After all, end consumers still want human contact and empathy when they have complex enquiries and complaints, as shown by recent studies such as our survey conducted together with the Versicherungsforsen Leipzig in June 2019. Experts predict that there will generally be a further increase in customer interactions in the next few years. Many of these interactions will be fully automated or dealt with by self-service systems, but human interaction will also become more important. This will create new jobs in the sector, increasingly based on a bespoke combination of human skills and technologies such as AI. Therefore, our aim is to combine the best of both worlds – humans and technology.

This approach is in line with our clients’ priorities: the classic customer service centre business, using human customer service agents, still makes up the largest share of demand. However, this work is increasingly being supplemented by digital elements such as AI, RPA and analytics.
The seven most important developments in the contact centre and CRM market up to 2022

For this study, we interviewed decision-makers in the most important companies in the contact centre and CRM market. These companies represent 80% of total market turnover. Based on their answers, we have identified the most important market trends up to 2022:

**1. High-quality customer service 2.0 is becoming a central value-adding factor and USP.**

**2. Customer service is being completely transformed, and some back-office functions are becoming front-office functions.**

**3. Customer service touchpoints are being given the same importance as sales and marketing touchpoints.**

**4. Human customer service agents need to acquire new skills; they are becoming strategically more important as empathetic ‘touchpoints’ and brand representatives.**

**5. Companies using service-centric business models need to make continuous, sustainable investment in transforming customer service.**

**6. New potential for outsourcing processes or parts of processes in service-centric business models.**

**7. Customer service 2.0 and modern technologies such as cloud services, chatbots, AI and RPA are enabling sustainable growth.**

Intelligent bots are putting pressure on contact centre and BPO providers

The rapid move towards customer service being handled largely by intelligent chatbots, messenger services and self-service systems is putting pressure on contact centres and experience centres belonging to companies and BPO providers. This raises questions such as:

- For how much longer can current customer service employees be used to capacity, in view of technological developments and the drive for efficiency?
- Can customer service agents communicate properly with their electronic ‘colleagues’?
- What training do the customer service employees need to enable them to provide high-quality service in more demanding situations (especially emotional ones) in the future?
- What can be done to optimise the digital handshake between human and machine?
- How can service bots be trained to satisfactorily deal with complex issues?
- In terms of costs vs. benefits, where is the point within a process at which a bot can be optimally used?
- How can the use of bots be scaled so that the sometimes-high initial investment pays off?
- How can bots be used to create a unique selling point (USP) when more and more companies are turning to bots and ‘bot factory’ platforms?
- How can we keep up with the innovative power and speed of large tech companies in AI, application programming interfaces and cloud platforms?

Specialised BPO providers in particular are in strong competition with large, vertically integrated tech companies such as Accenture, IBM, Infosys and Tata Consulting.

The Big Four auditing and consulting firms, however, are also establishing themselves in the contact centre market because their clients are looking for customer service consulting, solutions, implementation and operation from a single source.

However, BPO providers are not the only ones who will have to deal with new challenges, as customer service 2.0 affects all companies that either consider outstanding customer service to be at the core of their value creation, or are undergoing a customer-centric or digital transformation. In this case, both types of transformation usually go hand in hand.

BPO providers need to identify which customer service processes they can automate and how they can be automated. They also need to identify which services or parts of services should be outsourced to external service providers to save costs or increase margins.
Why invest in transforming customer service?

Of the decision-makers surveyed about their investments in customer service, 60% would like to invest more in service optimisation or holistic service transformation in their company. More than 70% of these decision-makers will or may receive new budgets for these investments. Investment in customer service is therefore high on the agenda of most CxOs. Another reason for this is that companies recognise that they can use every customer service interaction to directly or indirectly generate customer data, upselling potential and cross-selling potential. High-quality customer service also increases long-term customer loyalty and can become a USP for the company – this applies across all industries, irrespective of whether the company sells business to business (B2B) or business to customer (B2C).

A trend analysis of Google searches from January to October 2019 shows that customer service and the search for technologies to automate customer service have also become relevant for end consumers. As a result, many end consumers searched for terms such as “customer service”, “AI”, “big data” and “chatbot”; B2B customers also searched for “RPA”. End consumers also frequently searched for “customer service” relating to e-commerce, payment, travel and mobility services. Google searches for services from Amazon, Zalando, DHL, Booking.com, PayPal and Klarna each increased by around 200% compared to the same period of the previous year (January to October 2018).

Fig. 2 Search trends in Germany over the last 12 months


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7 Cf. Salesforce, State of Service, 2019; PwC’s own CxO survey.
8 Cf. source information in Fig. 2, accessed on 10 November 2019.
Growth drivers for BPO providers, software providers and cloud providers

The average annual growth rates of service-centric business models such as e-commerce and e-mobility services (including connected cars and e-travel) show that they are greatly benefitting from increasing automation and new scalable technologies. AI-based recommendations are a good example of this.

Operators of customer service-centric business models can outsource parts of their value creation processes to external service providers. Great efficiency potential can also be leveraged if companies use cloud services and external platforms to automate subprocesses and entire process chains.

Cloud providers and software service providers have recognised this opportunity, and companies such as IBM, Microsoft, Oracle, Salesforce and SAP are making massive investment in automation software and cloud systems for customer services and customer experience. In 2019, US-based Salesforce alone invested $4.2 billion into setting up a customer service cloud. The company acquired US companies ClickSoftware – the previous market leader of field services – and Tableau, a provider of visualisation software for customer data and service data. Salesforce is also developing its AI platform Einstein and its Einstein Voice Assistant to enable integration with Amazon Alexa and Google Assistant.

These acquisitions are enabling Salesforce to consolidate its market leadership and increase its lead over the competition. SAP, Microsoft and other BPO providers, large and small, must follow suit to ensure that Salesforce doesn’t gain too much of a head start. SAP and Microsoft, for example, are investing in the establishment and expansion of customer service and experience platforms: SAP in a customer experience platform based on SAP HANA, and Microsoft in its Customer Service Hub based on Microsoft 365.

<table>
<thead>
<tr>
<th>Business model/product</th>
<th>Example</th>
<th>Forecasted revenue in Germany in 2023</th>
<th>CAGR 2018–2023</th>
<th>Technology drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital media</td>
<td>Music and movie streaming, video on demand, gaming, esports</td>
<td>€4.6bn</td>
<td>5.6%</td>
<td>Cloud computing, IoT, AI-based recommendations, mobile computing</td>
</tr>
<tr>
<td>E-commerce</td>
<td>Online marketplaces and online shops</td>
<td>€66bn</td>
<td>6.2%</td>
<td>Cloud computing and software-as-a-service models, online shops, AI-based recommendations, voice commerce, digital assistants</td>
</tr>
<tr>
<td>E-travel</td>
<td>Online bookings</td>
<td>€42bn</td>
<td>6.5%</td>
<td>Cloud computing, AI (recommendations, personalisation, robo-agents, RPA)</td>
</tr>
<tr>
<td>Smart home</td>
<td>Networking, energy management, building security</td>
<td>€6.2bn</td>
<td>14.9%</td>
<td>Cloud computing, electronic building information modelling, sensor technology, 5G, cryptology/blockchain, AI, IoT</td>
</tr>
<tr>
<td>Fintech</td>
<td>Online banking, electronic know your customer (eKYC), electronic ID (eID), electronic trust services, eSafes without payments</td>
<td>€171bn</td>
<td>10%</td>
<td>Cloud computing, AI, biometrics and eID, robo-advisors, eKYC, cryptology</td>
</tr>
<tr>
<td>E-service</td>
<td>E-ticketing, online dating, etc.</td>
<td>€7.7bn</td>
<td>9.2%</td>
<td>Cloud computing, mobile computing, AI, chatbots, eID</td>
</tr>
</tbody>
</table>

Sources: Statista, Eurostat, World Bank, PwC.

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The future of the German contact centre and CRM market

Artificial intelligence is transforming customer service

Joachim Schreiner, head of Salesforce Germany

According to a recent study by IDC, we will have created more than 60,000 new jobs in the Salesforce ecosystem in Germany by the end of 2024. We need qualified specialists. This is why we’re investing, both in new employees and in training using the free Salesforce learning platform Trailhead. We’re also investing in expanding the capacities of our data centres in Germany, and we’re doing the same throughout Europe. In addition to this, Salesforce Ventures has launched the Europe Trailblazer Fund to promote European enterprise software startups. This will also expand the Salesforce ecosystem – a network of consulting partners, independent software vendors, and the AppExchange, the world’s largest marketplace for business apps.

AI for voice apps, mobile apps and process automation

One of our most important fields of innovation is artificial intelligence (AI) – for voice apps, mobile apps and process automation in particular. At the end of 2019, we presented new technologies and solutions such as Service Cloud Voice for integrating CRM and telephony. Among other things, this system converts telephone calls to text in real time, which our AI – Einstein – then evaluates during the conversation to automatically suggest suitable answers and solutions to the customer service agent.

Our success depends entirely on the success of our clients. We release three new versions each year, so that our clients can always benefit from the latest developments and more effectively exploit the opportunities brought about by today’s rapid changes in technology and the world of business.

Customer focus – a core skill for companies of all sizes

Our core skill has always been customer focus. Our Salesforce Customer 360 platform, for example, provides an entire company with a consistent view of every customer. Companies use the data to create a personalised experience for their customers – including customer service. This requires AI, as only automated systems can possibly handle personalisation for thousands or even millions of customers. Companies of all sizes benefit from our developments: you don’t need to know how to program algorithms in order to use our AI, for example.

Technological foundation for top-quality service

Today, quality of customer service is just as important as the product or service itself when deciding whether to make a purchase. To achieve this, Salesforce – IDC’s leading provider of CRM solutions – is offering a technological foundation for CRM, featuring the latest AI and voice innovations from the Salesforce Service Cloud.

For our clients, partnerships with leading technology suppliers are extremely important, in order to allow seamless integration of the tools and infrastructure that companies need for their transformation. We work with leading technology companies, including Amazon Web Services (AWS), Google and Microsoft.

By combining elements of the Salesforce Service Cloud, the Einstein AI, and the Google Cloud Contact Center AI, for example, we’re giving our clients more flexibility than ever before. And as part of our new collaboration with Amazon Web Services, we’re linking the Einstein AI in our Service Cloud Voice with AWS technologies.
Economic factors influencing the German contact centre and CRM outsourcing market

In the last five years, the German service sector has grown at a rate of 3.52% per year – faster than gross domestic product (GDP). In relation to the gross value added, it has a calculated weight of more than 70%. We expect the sector to continue to grow, creating outstanding sales and growth opportunities for the contact centre and CRM industry.

This is partly due to the fundamental structural change that the German economy is facing. The change will become even more dynamic, and we predict that this will lead to an increased focus of German companies on services and trade instead of manufacturing physical products. This is mainly due to the following four factors:

1. **Stagnating or declining economic growth**
   Stagnating or declining economic growth, as is foreseeable for the European and German markets, will primarily affect manufacturing industries. This is particularly significant for an export-oriented economy such as Germany. The proportion of GDP produced by the service sector will continue to grow relative to that of manufacturing.

2. **Demographic change**
   Demographic change brought about by Germany’s ageing population will affect the demand for services in areas such as healthcare and the nursing sector, and will even make completely new services necessary.

3. **Urbanisation**
   More people around the world today live in cities than in the countryside. Urban centres generate about 80% of the world’s economic output. As they create jobs, cities attract new residents. A particularly large number of jobs will be created in trade, as well as in the banking and service sectors. Therefore, the ongoing process of urbanisation offers outstanding growth opportunities, especially for service providers.

In the future, human labour alone will no longer be enough to meet demand. However, technology and related services can help to reduce this deficit.
4. Transformation in the energy and mobility sectors
The roles of traditional energy and mobility providers are changing dramatically, as alternative power supply and mobility concepts are becoming increasingly popular. As a result, companies’ business models are also changing to become increasingly service-oriented. Individual products, such as cars, are becoming less important. Instead, companies are concentrating more on mobility solutions that span various means of transport. The two industries that have traditionally been important for Germany as a business location are undergoing particularly radical change, so we will now take a closer look at these two sectors.

Political framework is fundamentally changing the energy industry
With more than 1,000 companies across Germany\(^{10}\) and a total annual turnover of approx. €463 billion in 2018\(^{11}\), the energy sector has been undergoing comprehensive structural change for more than ten years. This has been driven by new EU regulations and a number of amendments to the Energy Industry Act (Energiewirtschaftsgesetz, or EnWG) and the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, or EEG) in particular, as well as major political projects such as the energy transition, the phase-out of nuclear power and coal, and digitalisation. The energy industry is also responding with increasingly service-centric business models based on new technology. This applies to international companies such as E.ON, RWE, ENBW and Vattenfall just as much as it does to large municipal utility companies working on a more regional level, such as Stadtwerke Hannover, Leipzig Stadtwerke, Frankfurt Mainova, Stadtwerke München, MVV (Rhine-Neckar region), N-Ergie in Nuremberg and Rheinenergie in Cologne.

Car manufacturers are expecting new mobility concepts to generate more customer enquiries
The automotive sector has already been working on service-centric business models for about five years, particularly for self-driving vehicles and alternative fuels (electric vehicles, fuel cells). These business models require a much higher level of service than was previously necessary.

The increasing use of virtual power plants and smart grid and smart meter solutions is making improved customer service essential for both B2B and B2C customers. The bulk of traditional customer services need to be digitalised and automated, a process which is already underway. Examples include electronic billing, electronic bill retrieval, interactive customer account services, product switching services, digital relocation services, electricity for construction, and e-mobility.

This presents energy suppliers with a threefold challenge: they need to automate their customer-related processes to a greater extent to expand their small profit margins (currently averaging 14.8% EBITDA)\(^{12}\). They must also personalise and design processes directly at the customer interface – customer service in particular – in such a way as to retain end consumers in the long term. Today, both businesses and private individuals are more price-sensitive than ever before, making them more willing than ever to switch providers. Combined with the falling costs of switching suppliers, this is increasing competitive pressure. New competitors are also entering the market, competing with traditional energy suppliers – especially municipal utility companies – for their regular customers.

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\(^{10}\) With more than 10 employees – see Federal Statistical Office.


\(^{12}\) Cf. www.pwc.de/de/branchen-und-markte/oeffentlicher-sektor/evu-studie.html#ebitda-marge.
The future of the German contact centre and CRM market

General market development

## Fig. 4  Case study: influence of new services in connected cars

Volkswagen and other original equipment manufacturers have been setting up central service hubs since 2019, even though demand for services from end consumers is still significantly lower for Volkswagen itself than for its dealers and garages. However, it is likely that more and more customers will make enquiries directly to the manufacturer when more electric vehicles and smart or connected cars are on the roads. At this point, if not sooner, car manufacturers will also have to enter the market with new service-focused business models. The service hubs are being set up in preparation for this development.

### Revenue potential of on-demand in-car functions (global)

- **€10.75 billion** annual revenue potential
- **€895 million** million monthly revenue potential
- **€16.03** monthly revenue per user

### Revenue shares of various future services

- **Monthly or annual subscription**
- **Pay per use**
- **In-car advertising**
- **Data transfers (personal data, vehicle-specific data)**

### Market potential of connected services in selected markets

**Figures in $billion**

<table>
<thead>
<tr>
<th></th>
<th>USA</th>
<th>Europa</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.3</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>2025</td>
<td>10.3</td>
<td>8.6</td>
<td>16.8</td>
</tr>
<tr>
<td>2030</td>
<td>19.6</td>
<td>16.7</td>
<td>39.5</td>
</tr>
</tbody>
</table>

**USA**

- Secure in-car payments
- Digital parking
- Self-learning maps
- Usage-based insurance and fleet management
- Collaborative robots/smart eyewear

**Europa**

- Customer retention and customer experience
- Multimodal integration
- Insurance based on driving data
- New subscription models
- Mobility as a service
- Sharing services

**China**

- Customer retention and customer experience
- Multimodal integration
- Insurance based on driving data
- New subscription models
- Mobility as a service
- Sharing services
- Secure in-car payments
- Digital parking
- Self-learning maps
- Usage-based insurance and fleet management
- Collaborative robots/smart eyewear

**USA**

- **+23% CAGR**

**Europa**

- **+26% CAGR**

**China**

- **+38% CAGR**
Growth based on industry expertise

Dirk Moritz, CEO at snt Deutschland AG

The sustained success of snt-regiocom is down to its positioning: we have a clear focus on the telecommunications and energy industries, and it is important that we maintain this focus. The expertise we have gained within these regulated industries will allow us to continue to grow in others with comparable series of requirements – for example, the airline industry. Here, we were able to apply our expertise gained over many years in rail transport. In essence, it is our experience with fluctuating volumes of business and flexible personnel requirements that sets us apart from our competitors. This enables us to generate added value for our clients. With this flexibility, we have managed to successfully position ourselves in both the travel and tourism industry and the banking and insurance sector.

Sustainable growth for both company and client

Against the background of increasing consolidation in the German contact centre market and increasing automation through digital transformation, we are now planning to diversify and broaden our base. In doing so, it is very important to us that we can accompany our clients on a path offering sustained success and healthy growth.

Our investments enable us to serve the growing demand of our clients for digital solutions and support the move from analogue services based on customer service agents to digital customer service. Our goal is to improve our capacity for innovation and to strengthen both digital performance and corporate culture. Our Magdeburg site, with a development team of around 200 people, plays a particularly important role in realising these innovations and digital projects.

Successful merger

After the merger of SNT and regiocom, steps were taken to reorganise and realise synergies, and these measures have proven successful. We have further expanded the core skills of both companies, leveraged synergies, and successfully transferred management and other central functions into a joint operation. We now trade as snt-regiocom in the contact centre outsourcing market, while we will continue to expand our BPO business and enter new industries under the regiocom brand.

In addition to expanding our capacity for innovation and our digital expertise, we will be focusing on expanding our commercial collaboration models. We firmly believe that the challenges of the next few years can only be met by attractive gainshare models and incentive models that offer added value both for us and for our clients.
Transformation of public utilities is changing the CRM market

The changing customer interfaces in public utilities and other regional energy suppliers are having consequences for contact centre and BPO providers – but are also creating opportunities, particularly for BPO. This is because BPO providers can offer complete ‘as-a-service’ packages for when energy suppliers change certain processes over to shared services, or set up joint customer service hubs. Contact centre providers specialising in certain processes or parts of processes can also benefit from these changes. It is also expected that increasing cooperation between energy suppliers will drive consolidation in the contact centre and CRM outsourcing market. Smaller contact centres in particular will find it difficult to offer holistic, nationwide, competitively priced customer services with cost-optimised digital features.

In our last study, we quantified the development of the contact centre and CRM market in individual sectors based on the PwC market model. The market model takes the macroeconomic trends described, and applies them to the individual sectors. For this study, we have refined this methodology and updated the market model based on new data. The following chapter presents detailed results of our investigation.

Case study: energy market disruption

The collaboration between the energy group E.ON, the retailer Lidl and Volkswagen’s ‘Elli’ natural power subsidiary shows how big a change horizontally integrated brands with strong CRM can bring about in the energy sector. Lidl and Volkswagen are able to win over their customers with a high standard of CRM. Customer retention via Lidl’s loyalty programmes and cross-functionality at Volkswagen are among the project’s key success factors.

The PwC market model and its methodology

The PwC market model outlines the total market volume of contact centre and CRM services. Based on this, macroeconomic trends can be depicted; for example, overall growth of individual industries. Quantitative modelling of trends towards insourcing or outsourcing can also be undertaken; for example, trends due to systemic changes in cost structures. The latter have a direct impact on the outsourcing market volume, which is particularly important for providers. The market volume is calculated from a dimensionless demand index and a price index.

In our survey, we asked contact centre providers and companies in various industries that use their services to assess the development of demand and prices for contact centre services. Based on their responses and on macroeconomic forecasts, we have modelled the development of demand, market volume and prices to 2022.

We have also refined how we define the individual sectors for this study, so the new values cannot be directly compared to those from the previous study. As the historical values and the forecasts are modelled, there are slight differences for the last few years in this edition of the study compared to the 2018 edition.

Unless stated otherwise, the following information on demand, the market and prices is based on the PwC market model. Stated growth rates refer to the annual growth rates from 2018 to 2022. The study shows the development of demand, prices and market volume in the outsourcing sector, as this information is particularly relevant for suppliers and their clients.

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Market development by sector up to 2022

Despite a significant slowdown of growth in some sectors for 2018 to 2022, the outsourcing market as a whole is expected to develop steadily. We expect an average annual increase in sales of 4.2%.

The cause of the general slowdown in growth is weaker economic development, especially in those industries that are most important for the contact centre business: telecommunications, and energy and utilities. These two industries account for more than a third of the total outsourcing market volume.

Digitalisation is also leading to more resilient service processes in these industries, a development accompanied by a significant decline in demand for customer services: –6.1% in the telecommunications industry and –2.6% in the energy and utilities industry.

In contrast, we expect continued strong growth in the healthcare sector, the transport sector, travel and hospitality, IT, retail and consumer goods. We expect that the markets which have traditionally generated the most demand for contact centre outsourcing – telecommunications, energy and utilities – will have been overtaken by other markets by 2021.

This means that providers of contact centre services will either have to focus on growing industries or prepare for a tough price war in their traditional industries. Total demand is hardly growing at all, emphasising the fact that that providers will need to concentrate on higher-quality, more specialised services for continued success.

In the following section, we present a detailed view of how the service market volume in individual sectors is expected to develop up to 2022. The sectors are arranged by market share.

**Fig. 5  Market forecast**

Estimated market volume for contact centre/CRM services in Germany (€million)

<table>
<thead>
<tr>
<th>Year</th>
<th>In-House</th>
<th>Outsourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3,717</td>
<td>7,305</td>
</tr>
<tr>
<td>2019</td>
<td>3,884</td>
<td>7,681</td>
</tr>
<tr>
<td>2020</td>
<td>4,040</td>
<td>8,078</td>
</tr>
<tr>
<td>2021</td>
<td>4,230</td>
<td>8,429</td>
</tr>
<tr>
<td>2022</td>
<td>4,387</td>
<td>8,877</td>
</tr>
</tbody>
</table>

The future of the German contact centre and CRM market

People and technology: our success factors

Robert Mulatz, Executive Vice President at Bosch Service Solutions

Our strategic goal is to be a preferred provider for technology-based services. Our services are provided by and for people, which is why we’re investing in technology and our employees. Our focus is on services in the fields of mobility, IoT, monitoring and customer experience. We have established centres of excellence for each of these areas, which continuously drive innovation and expand our range of services. Our centre of excellence for automation represents an expansion of our technological expertise on a global scale, and we have won the Frost & Sullivan Technology Leadership Award for our use of RPA in global automation.

End-to-end solutions offer the greatest added value

People play a major role in our services. To deliver excellent customer experiences (CX), with holistic solutions, we rely on an optimal combination of people, processes and technology. The scope and complexity of the technology we use differ depending on the service: in some projects, automation helps make the overall process more efficient. Other solutions focus on a specific technology, such as Bosch Secure Truck Parking, our booking platform for truck parking spaces. From our perspective, end-to-end solutions offer the greatest added value: the overall process becomes more efficient, investments pay off and quality increases.

Customers expect holistic solutions

Digital transformation is changing consumer expectations from the ground up. They want fast, personalised and efficient service through their preferred communication channel with as little effort as possible. This places higher demands on companies and customer service. Our clients increasingly expect us to assist them in finding solutions. We pursue an individual and comprehensive approach, incorporating process expertise, technological know-how and CX expertise. The amount of technology used is constantly increasing.

Our competitive strengths

The market remains very dynamic and competitive. Major competitors are carrying out mergers and acquisitions to consolidate the market or expand their own capabilities. Stable market growth with the current trend towards digitalisation offers excellent opportunities for growth – and not just for technology-oriented companies like Bosch Service Solutions. This growth is also attracting industry outsiders such as consulting firms, IT service providers and providers of services for business processes. Compared to these new competitors, our strengths lie in our operational know-how, our comprehensive experience in process optimisation and our long-standing customer relationships. We provide services across all our locations to uniform standards throughout the world. We help our employees with their professional development and we have a high level of employee motivation. We appreciate that the new market participants have a high level of technological expertise – which has traditionally been one of our competitive advantages. We intend to build on this by expanding our skills and working with specialised technology partners.

Growth in core capabilities

We are currently expanding our core capabilities for the changing market. These core areas are: capability to deploy integrated end-to-end platforms (especially for mobility/connected cars, IoT and monitoring services); automation for providing services (chatbots, RPA, AI); resources in analytics and generating insights; process expertise with a focus on service design (i.e. our concept for CX optimisation); specialised CX consulting including customer journey mapping.
Key industries at a glance

Telecommunications

Decline in outsourcing market volume of $-6.1\%$ CAGR, caused by a decline in demand of $-7.9\%$ CAGR and despite a price increase of $1.9\%$ CAGR

- In the telecommunications industry, the overall customer service business volume will decline significantly up to 2022 ($-5.5\%$ CAGR).
- The reasons for this decline in service demand volume are more stable networks, increasing product quality, more robust service processes and simpler contracts for end consumers. Automation of customer services is primarily internally driven by the telecommunications providers.
- Telecommunications companies will initially react to the declining demand for customer service by reducing external capacity, as making changes to internal resources is significantly more time-consuming and expensive.
- The importance of the telecommunications industry for the BPO market will continue to decline. Whereas this sector accounted for around one in four customer service interactions in 2015, this will decrease to only one in six by 2022.

Energy and utilities

Decline in outsourcing market volume of $-2.6\%$ CAGR, caused by a decline in demand of $-4.4\%$ CAGR and despite a price increase of $1.9\%$ CAGR

- In the energy and utilities industry, customer interaction processes – much like in the telecommunications industry – are increasingly being migrated to automated internal processes and are thus becoming more resilient. This is leading to a significant decline in demand for outsourcing; price trends are likely to remain average at best, with prices slightly above those in the telecommunications industry.
- As a result of this sharp decline in demand, the industry will make up little more than an eighth of the outsourcing market volume in 2022. Providers of contact centre services with a strong focus on the energy and utilities industry will need to adapt to this development.
Financial services

Growth in outsourcing market volume of 3.5% CAGR, driven by an increase in demand of 1.0% CAGR and a price increase of 2.5% CAGR

- The low growth in demand for services can be attributed to low growth in the sector as a whole; however, this is offset by customer orientation remaining high.
- The high degree of automation – mainly driven from within companies – in many service processes hinders the growth of outsourcing service providers.
- Due to the increasing automation of simple processes, human customer service agents will mainly handle more complex tasks in the future. This will cause prices to rise, and service providers will need to meet higher standards.
- BPO providers can or must establish themselves in complex subject areas – specifically, those driven by regulations.
- Overall, the importance of the financial services industry for contact centre outsourcing of is declining.

Retail/consumer goods

Growth in outsourcing market volume of 8.0% CAGR, driven by an increase in demand of 6.2% CAGR and a price increase of 1.6% CAGR

- Demand is mostly being driven by high growth rates in the comparatively customer service-intensive online retail business, with moderate growth of around 2% CAGR for the industry as a whole.
- Although the price trend is below average due to competition and cost pressure, we expect shortage of personnel and rising salaries to bring about an annual price increase of 1.6%.
Healthcare

Growth in outsourcing market volume of 16.2% CAGR, driven by an increase in demand of 14.1% CAGR and a price increase of 1.8% CAGR

- Out of all industries, we expect to see the largest growth in demand for BPO services in the healthcare sector: by 2022, its market volume is likely to exceed that of today’s strongest sectors, i.e. energy, utilities and telecommunications.
- This sharp rise in demand for services is essentially due to three factors:
  - New business models based on the Digital Care Act (Digitales Versorgungs-Gesetz, or DVG) and new e-commerce strategies
  - Increasing cost awareness on the demand side, which is accelerating outsourcing trends
  - Solid growth in the industry itself (approx. 4% CAGR)
- We expect slightly below-average growth in prices. Companies continue to outsource complex contact centre services; at the same time, the purchasing power of clients in the healthcare sector is increasing. As a result, prices – which are already high – are likely to undergo only moderate increases.

Public services

Growth in outsourcing market volume of 6.6% CAGR, driven by an increase in demand of 7.9% CAGR and despite a fall in prices of −1.2% CAGR

- The strong increase in demand in this sector is driven by regulations such as the E-Government Act (E-Government-Gesetz, or EGovG), but also by the ongoing trend towards outsourcing contact centre services.
- However, this trend is accompanied by an increase in purchasing power on the demand side, which will lead to a fall in prices.

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Travel and hospitality

Growth in outsourcing market volume of 8.0% CAGR, driven by an increase in demand of 3.7% CAGR and a price increase of 4.1% CAGR

- While an increasing number of customer interactions in the travel and hospitality industry are being automated and handled internally, the opposing trend of more personalised travel is also taking hold. Because of this and the stable growth of the industry as a whole, we expect stable growth in demand of 3.7% CAGR.
- The higher complexity of customer service tasks and limited number of appropriately qualified agents is accelerating the price increase in this sector.

Information technology

Growth in outsourcing market volume of 8.0% CAGR, driven by an increase in demand of 4.1% CAGR and a price increase of 3.7% CAGR

- While individual companies and business segments in the IT sector continue to grow strongly, we only expect moderate growth of 2% in the industry as a whole. Together with new regulations such as the General Data Protection Regulation (GDPR), this will create a steady increase in demand for contact centre service providers, as they can often implement compliance guidelines more quickly.
- The rising prices for contact centre services can largely be attributed to the shortage of skilled personnel and the increasing complexity of customer interactions.

Other

Growth in outsourcing market volume of 6.4% CAGR, driven by an increase in demand of 3.5% CAGR and a price increase of 2.9% CAGR
Fig. 6  Average focus of the providers surveyed (by industry)

- Telecommunications: 42%
- Financial services: 23%
- Retail/consumer goods: 11%
- Travel and hospitality: 15%
- Healthcare: 20%
- Public services: 10%
- Information technology: 12%
- Other: 15%

Fig. 7  CRM vertical breakdown

Growth in outsourced contact centre/CRM services by sector, 2018–2022 (€million)

- Telecommunications: 3,717 to 4,387
- Financial services: 77 to 91
- Retail/consumer goods: 178 to 298
- Healthcare: 298 to 103
- Public services: 91 to 128
- Travel and hospitality: 103 to 12
- IT: 12
- Energy and utilities: 4,387
- Other: 77

General market development

Outstanding M&A activities in the contact centre market in 2019

Consolidation of the contact centre market continued in 2019. The most significant deal was the transfer of significant parts of the Arvato CRM Solutions (Bertelsmann) business to the pan-African Saham Group. This created Majorel, the new German market leader in terms of seats and turnover.

Majorel will establish itself as a central hybrid BPO provider in the rapidly growing platform business – with a new service approach, a consulting division focusing on integrated service design, and a dynamic service portfolio. Arvato’s classic CRM and call centre business will gradually evolve into a dynamic operating model with a more flexible sourcing approach (a mix of onshore, nearshore and offshore).

In addition, Majorel is striving for greater industry specialisation – with a focus on core industry processes and enablement, where Majorel provides core capabilities and functionality for key operational processes. An example of these core capabilities is ‘know your customer’ (KYC), a process used by banks, insurance companies and others when providing financial services to establish, verify and/or validate customer identity. Another example of enabling is to provide universally applicable products on scalable platforms (e.g. chatbot platforms, process mining, multi-RPA solutions). Majorel is therefore making heavy investment in automation models and platforms, AI and analysis capabilities. In future, the company plans to have essential services performed by hybrid human-machine systems, using AI as an enabling technology.

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15 In the platform business, core client processes will generally be provided via cloud-based models in the future. The service provider provides the platform to the client.
The American company Sykes Enterprise, which is also active in Germany, took over the London-based RPA and intelligent automation (IA)16 provider Symphony Ventures in order to accelerate its programme of digitalisation and automation, and to establish itself as a specialist for process automation.

The Cologne-based Ströer Group acquired the Hamburg-based chat provider optimise-it, improving optimise-it’s position in the field of customer communication management. Acquiring the optimise-it portfolio has enabled the Ströer Group to offer a fully integrated omnichannel chatbot solution for the European market. Together with the OTTO Group, which is also based in Hamburg, Ströer also founded the OS Data Solution joint venture. The companies want to establish themselves as leading e-marketing providers and challenge the dominance of Google, Facebook and Amazon. As well as these investments in its digital service portfolio, the Ströer Group had already considerably broadened its service portfolio throughout the value chain in the previous year by acquiring contact centre providers DV-Com and D+S 360.

The French company Teleperformance took over the Indian-based business process solutions provider Intelenet to expand its omnichannel management expertise. Intelenet’s core capability is the integration of analysis techniques and technologies. The main reason behind the acquisition was Intelenet’s focus on RPA development using various AI approaches (symbolic AI focusing on NLP and data mining; sub-symbolic AI focusing on machine learning).

The French Webhelp Group also underwent inorganic growth in 2019. With the acquisition of the Nuremberg-based Sellbytel Group, Webhelp expanded its service portfolio to include complex BPO solutions for CRM processes.

This was in addition to previous acquisitions of specialists, such as Stuttgart-based O-Con in 2018. Webhelp has also merged and restructured its consulting division with the British CRM consulting firm Gobeyond. In future, the new consulting division will focus more strongly on designing holistic solutions for optimised customer experience and digitalised customer interfaces. Webhelp can now compete with technology consulting companies focusing on CRM and customer experience management (CXM).

In May 2019, Webhelp merged with IQ-to-Link, Kosovo’s leading provider, giving the company a strong, market-leading and German-speaking nearshoring capability. The acquisition of PitechPlus in October 2019 further strengthened Webhelp’s capacity as a software developer, with over 250 developers working in RPA, AI and automation.

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16 Intelligent automation is used as a collective term for digital transformation.
The Indian company **Infosys Technologies** acquired US-based **Wongdoody**, an agency for creatives, branding and cloud CX (cloud marketing). This represents a further expansion of Infosys’ consulting expertise in digital marketing and e-marketing; the company is increasingly becoming a vertically integrated marketing service provider, working across the entire marketing spectrum from strategy and UX/UI design to technological implementation, creatives and CXM. The company’s new partnerships with **Huawei** (China), **Hitachi**, **Panasonic** and **Pasona** (all Japan) will also be worth keeping a close eye on.

The American **Synnex Corp.**, merged its CRM BPO brand Concentrix with US competitor **Convergys**, strengthening its position in the CRM market. Concentrix is also extending the functionality of its Concentrix Intelligent Virtual Assistant and is making further developments in customer interaction management. This is intended to help business customers integrate virtual assistants into existing omnichannel solutions and create holistic customer experiences; in the future, these will also be tailored to the environment in which they are used.

It is remarkable that **Bosch Service Solutions GmbH** is now in a position to directly compete with the biggest names in the market. This is emphasised by the fact that Bosch is now the leading customer service provider in the automotive industry, particularly so in the field of mobility services.

Having taken over Frankfurt-based competitor **snt** in 2017, **Kaiserslautern-based Regiocom** announced at the beginning of 2019 that it intends to bundle the customer service centre businesses of both brands more strongly. Business segments which were previously divided between the two brands will merged in order to achieve greater flexibility and clout in the market.

**Capita** attracted attention in the market when it acquired **Arvato’s** Magdeburg, Halle and Cottbus customer service centres. These were Arvato’s three largest sites, with a total of around 700 employees, and were sold to Capita in late 2018.

There are two key points to take from these M&A activities. Firstly, they demonstrate the ongoing process of consolidation among CRM service providers; secondly, it is clear that successful providers are increasingly relying on well-thought out combinations of humans and machines – in other words, using both customer service 1.0 and 2.0. The significance of this combination for the customer service industry (both in-house and outsourced) is outlined in the following chapter.
How human-machine symbiosis is changing the market

In addition to changing economic factors and the process of consolidation, a new, qualitative factor is influencing the contact centre and CRM services market: the interaction between humans and machines. ‘Machine’, in this case, refers to the following kinds of technology:

- AI
- RPA
- Cloud computing
- Virtualisation of IT infrastructure
- Voice recognition
- Virtual reality (VR)
- Automated, high-performance modelling and analysis of large volumes of distributed data
- Cryptography and automated identity management
- Biometrics, bionics and biointelligence

The latter technologies in particular will play central roles in the next stages in the evolution of contact centre and CRM services. Collaborative robots (cobots) for customer service, digital twins and online identities are just the beginning.

Automated, AI-based interaction between customers, products, services, brands and companies will probably change the market more than any other factor. There is already strong evidence supporting this prediction: providers of contact centre and CRM/CXM services are investing in AI-based technologies, and companies which outsource their customer services are realigning their business and operating models.

In particular, companies which outsource these services should carefully evaluate which of the processes in their operating model are core value creation processes and which are not. There may be potential for outsourcing non-core processes, in particular to BPO providers. In future, the balance between internal and external services will play a key role in a company’s success. Maintaining the right balance will be essential for exploiting economies of scale to stabilise margins, and this will become hugely important as competitive pressure increases. Outsourcing non-core value creation processes also makes companies more resistant to short-term market changes.

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17 Online representation of a real object or person.
At present, the customer experience industry is focusing on the question of how to deal with the increasing number of communication channels brought about by digital transformation; and, in particular, the increasing number of interactions that this involves.

The challenge here is that the number of digital interactions is rising, but the number of voice interactions is not falling. And customers like to use several channels in the course of a conversation – sometimes even simultaneously.

This results in three challenges for our clients:

• Omnichannel platforms are becoming essential. Companies need to provide consistent, high-quality customer service across all channels at all times if they are to master the challenges of telephone communication in a digitalised world.

• The growing number of interactions requires a powerful AI strategy, focusing not only on automating interactions, but also on the entire customer and employee journey.

• Cloud technology plays a special role in keeping up with ever-faster innovation cycles – not just for digital communication channels, but also for adapting AI to changes.

Optimised handling of all channels

Genesys, a CX market leader for many years, has been working strategically over the last few years to meet these requirements. Omnichannel has always been our target, and for several years we have been providing skill-based routing, a unified desktop system for customer service agents. This system offers an integrated 360-degree view of client interactions and a complete interaction history – and, by blending resources, it optimises handling of all channels.

AI for the perfect match of customer and employee

Our AI strategy, most of which we have already implemented, does more than just use conversational AI to automate interaction through voicebots or chatbots: it also accompanies the entire customer journey. AI-driven evaluation of website users’ browsing in real time enables personalised support, evaluation of past interactions helps find the perfect employee to help each customer, and AI provides support to employees in real time to help them serve customers. At the same time, AI is used in other areas – personnel planning, for example – and achieves much better results than conventional methods.

Cloud technology: a versatile solution

In the field of cloud technology, we offer a public cloud solution (TrueCloud) and hybrid technologies, allowing clients to modernise existing on-premises platforms without having to transition directly to cloud solutions. This approach also allows simple use of the AI innovations described above. And thanks to a Docker/container approach, the CX solution can be deployed anywhere: in an on-premises solution, in a private cloud or in Microsoft Azure, for example.

What clients appreciate most about the cloud is its openness; to this end, Genesys has launched a cloud information model (CIM) initiative together with AWS and Salesforce. This will enable the best decisions to be made for CRM, CXM, etc. while retaining out-of-the-box data integration.
CXM centres of the future will have far fewer employees than today

For this study, we analysed a number of strategies for technology, market entry and growth, examined operating model objectives and conducted a large number of interviews with the major contact centre, CRM, CXM and BPO providers. One of the core results of all these investigations is that CXM centres of the future will need far fewer people than today. In the future, human interaction – handled by highly qualified customer service agents – will only be used when absolutely necessary, i.e. when the interaction is too complex for it to be dealt with by automated solutions.

At present, technology is mainly used to help deal with simple customer enquiries that can be reduced to standardised interactions. But when it comes to more complex topics, human employees are still indispensable. As a result, largely automated customer service is still a long way off for most providers. As a rule, providers are currently getting no further than validating use cases and creating prototypes and minimal viable products (MVPs).

But this is likely to change significantly before long: in the future, around 80% of customer enquiries could be dealt with automatically – for example, using chatbots and voicebots, or intelligent self-service. And to ensure that more customers actually use these new automated channels, customer hotline numbers will certainly become harder to find. However, around 20% of customer enquiries will still have to be dealt with by humans, even in the future.
Key market trends and the role of humans

As simple customer queries are increasingly being answered by machines, the more difficult issues remain for human customer service agents. These employees therefore need skills such as multi-tasking, and must be able to deal with tasks requiring empathy and awareness. AI-trained bots are currently unable to do this; we are still some way off being able fully map and simulate a human brain, which would achieve the status of strong AI or artificial general intelligence (AGI).

Some market observers are already talking about the “death of level 1 agents” and the “rise of the super-agent”. In order to offer unique customer experiences (high-touch customer service) in the future, contact centre operators and CXM providers will need to make massive investment in know-how and skills of their super-agents. This will not be easy, as most customer service agents currently fit into one of the following groups:

- Employees with no scientific or academic training
- Students
- Temporary agency employees with an intermediate level of education

This highlights the importance of making contact centre and CXM work attractive for highly qualified and academically trained people. Service providers should create a new image of the profession and adapt job descriptions accordingly to reach out to highly qualified people. The industry is in particularly urgent need of staff who are highly skilled in dealing with the following:

- Data analysis
- Medical histories
- Forecasts
- Technical applications
- Digital tools
- Interpretation of human behaviour
- Conflict resolution
- Context-based interpretation of language

Which specific skills are needed depends on the business model or service portfolio of the contact centre or CRM provider in question.

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21 In AI research, the majority of the skills in this list are classed as complex problem-solving skills, and are often considered to be tell-tale signs of AGI or strong AI. Cf. Ray Kurzweil, agi.mit.edu and Singularity Hub, singularityhub.com/2019/08/21.
Effects of the minimum wage and skills shortages

Higher qualification requirements and greater investment in training contact centre and CXM agents will increase their salaries – but only when their tasks (and hence, their job descriptions) actually change. Today’s contact centre agents are usually paid minimum wage. Pay rises are therefore mainly based on legal requirements rather than collective agreements. From 1 January 2019, the minimum wage in Germany was €9.19 per hour; on 1 January 2020 it rose to €9.35. Contact centre agents across Germany currently earn an average gross monthly salary of €1,770. The highest averages are in Hesse and Baden-Württemberg, where contact centre agents earn an average of €2,213 and €2,104 gross per month, respectively.

Compared to other European countries, salaries in Germany are high: in Slovenia, for example, the minimum wage is €5.10 per hour, and in Bulgaria it is only €1.72. This means that – for now – it is still worthwhile for companies to set up contact centres in these countries, to establish transnational, cloud-based virtual contact centres/CXM centres, or to dynamically acquire nearshore capacity through capacity agreements and/or routing contracts.

However, the minimum wage in these countries will increase significantly in the next three to five years, in line with rises in national gross domestic product and general wage levels. It is possible that the minimum wage in these countries could even be raised to the same level as in Germany. Whether this happens will depend on the amendments to the EU Posted Workers Directive (96/71/EC), which must be incorporated into national law by 2020. It remains to be seen whether the EU’s new social policies will result in new minimum wage limits for implementation at national level.

Outsourcing customer services (onshore, nearshore and offshore) to other European countries therefore offers short-term cost advantages at best. For long-term success, companies need different, holistic strategies involving humans and machines.

Above average: employee turnover and sick leave

The number of burnouts and other absences in contact centres has risen steadily over the past five years. The main reasons for this are the lack of qualifications among employees, the increasing number of customer enquiries and the increase in workload that this causes. In addition, noise levels in the workplace are often high, which leads to stress.

On top of this, the constant introduction of new software solutions overwhelms many employees instead of helping them. Employees are often inadequately trained in using new software because companies tend to try and save money in this area. The main reason for this, in turn, is high cost pressure from EBIT margins, which are low or even negative to start with. Poorly set up user interfaces (UIs) and poor user experience design (UX design) also often make new tools difficult to use.

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22 Cf. callcenter-verband.de/alles-was-politik-ist.
26 PwC estimate.
The high workload ultimately leads to high employee turnover: at present, employee turnover rates in traditional contact centres and CRM providers in Germany are between 20% and 40%\textsuperscript{31}; the European average is 23%.\textsuperscript{32} In some cases, sales-oriented telesales units of external service providers have recorded turnover rates of well over 60%.

Another reason for high turnover rates is that a large proportion of contact centre employees are Millennials, born between the early 1980s and the early 1990s. Millennials generally expect more from their employers than members of Generation X – those born between 1965 and 1980 – and are more likely to switch jobs if they are not satisfied.

As well as introducing and establishing a new job profile, contact centre and CRM providers should also use employer branding to build an attractive employer brand and develop new models for provision, pensions and qualifications.

Scholarships for certain university degrees or professional qualifications could offer another way of reducing staff turnover and improving employee retention. Only a combination of these measures and others will enable companies to recruit sufficiently qualified employees and retain them in the long term.

Key market trends and the role of machines

Fig. 11  Top trends 2019 – human and machine

Top trends for machines in the German contact centre/CRM market (2019)

- AI and cloud computing: central enablers for contact centre/CRM and BPO services
- AI: key technology for digitalising customer interfaces
- AI: central enabling technology for CRM services 2.0
- Migration to cloud-based customer services and specialised multi-cloud approaches
- Cloud AI
- Data management as a service


Case study: smart nappies in geriatric care

As an interface between man and machine, Danish producer of sanitary products Abena has developed a sensor-enabled nappy (Nova) for adults that enables nursing staff to automatically and accurately determine users’ care needs.

As an example of a technology-enabled service, solutions like Abena’s Nova show what customer management will look like in the future.

Investment in future-proof technology is crucial for profitable services and long-term customer relationships that create added value. Digitalisation of customer interfaces is one of the most urgent tasks in this field – both for contact centre/CXM providers and their clients.

Automating customer service processes and providing customer self-service is just as great a challenge. Many automation solutions are AI-based, and global revenue from AI business applications accordingly grew by 54% in 2019 compared to 2018. The AI market will continue to grow at an estimated annual rate of 42% up to 2025.

AI is paramount for the following developments:
• Implementing new business models
• Scalable platforms for mobility, trading and other services
• Training bots and intelligent applications for tasks such as voice, image and text recognition and conversion
• Creating unique digital identities (in conjunction with cryptography)
• Digitalising customer interfaces
• Evaluating large, distributed datasets

Other software technologies besides AI are crucial for success: cloud computing, robotics and RPA or data modelling and data analysis. These, in turn, require powerful IT infrastructure – i.e. powerful hardware. The enabling technologies for this are 5G broadband networks, connectivity and sensor technology, as well as materials technology and nanotechnology for CRM 2.0. However, all of these pioneering technologies can only realise their full potential if high-performance, fully compatible software and hardware are available to run them.

![Fig. 12 What CEOs think about AI](image)

... of CEOs believe that AI will provide the most important future advantage in business. ... of CEOs believe that combining AI and human intelligence has a positive impact on a company. ... of CEOs confirm that AI has already increased productivity in their company.

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KiKxxl is an owner-managed business founded in 1999, and we have been able to establish the company as a very successful player in the German contact centre market over the years. We operate with one clear focus: our clients consider sales-oriented customer services as a clear value-adding factor. This has enabled us to refine our profile significantly over the years. We help our clients realise extra cross-selling and upselling potential in sales and, above all, in customer service, based on successful management of customer interactions. This is how we create significant added value for our clients and their end consumers.

**Differentiation through excellent customer service**

We started out with a strong focus on telecommunications, and we have successively expanded our services and the industries in which we work over the years. Besides the energy industry, we are also active in e-commerce, trade, tourism, the automotive sector and in high-tech industries. In all these sectors, successful customer service is essential for establishing and expanding customer relationships that will deliver long-term success and profits. Excellent customer service – with tailored, personalised features – offers companies in these industries great opportunities to differentiate themselves from their competitors, and also creates the opportunity to develop new revenue streams. Excellent customer service therefore has a very significant strategic role, especially in saturated markets and cases where some substitute products are available.

**Best in class – with smaller, focused units**

Today, KiKxxl works from five locations in north-west Germany: Osnabrück (company headquarters), Bremen, Dortmund and Bochum, and our growth enabled us to expand to Recklinghausen in February. KiKxxl has also had an office in Pristina (Kosovo) since 2017, and we will be adding another Eastern European nearshore location in 2020.

Due to the ongoing consolidation of the market, we will be focusing on top quality, a demanding recruitment process and a high level of qualifications among our employees, while at the same time optimising our cost base through digitalisation and intelligent integration of locations outside Germany. It is very important to us at KiKxxl that we use smaller units, and deliver high-quality service and strong sales orientation – unlike our larger, international competitors – to remain best in class in the future.

In order to meet the demands of the future, we are striving for sustainable and profitable growth, to be created both organically (approximately 10% per year) and inorganically. As an agile, cost-conscious and profitable company, we have set ourselves a sales target of approximately €100 million by 2025.
AI as a growth driver

It is estimated that AI solutions in Germany will generate around €430 billion in economic growth by 2030 – an increase of 11.3% compared to 2019. Recent PwC surveys found that 72% of CEOs believe AI will be critical for companies to succeed in business.35 The most important fields of application for AI are process automation, data analysis and customer interaction. AI is becoming an essential component of personalised products and services.

Up to now, however, AI has been used mainly to supplement human activities – for example, suggesting phrases for employees to use in conversations with customers, or providing product recommendations for upselling and cross-selling. In the future, the bulk of customer services will be automated – but only once AI systems, based on huge datasets, can reliably solve standardised and easily replicable tasks through faster replications and longer learning cycles. This especially applies to customer service and CRM 2.0 applications.

The parallelisation of software tasks that these systems require still presents a technical hurdle. To overcome this hurdle, new and more powerful algorithms need to be programmed and tested. At present, most algorithms are programmed with one clear goal, meaning that they can only perform one task any given time.

However, algorithms capable of multitasking are needed – and as soon as they can be successfully programmed, the prediction of 80% automated customer service will become realistic.

Algorithm-based voice-to-text and text-to-voice solutions, among others, are currently being tested. Glasses retailer Brille24, for example, is working on an AI solution that can make customer recommendations using uploaded photos.

AI is also already being used in complaint management. For example, the Versicherungskammer Bayern uses the technology to analyse customer complaints and forward them to the right people.

Examples like this show what AI can do best at present: speed up processes that were previously handled by humans much more slowly and with much higher rates of error.

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Key trends in cloud computing

Scaling AI solutions requires robust, powerful and cost-efficient IT infrastructure. This is usually achieved by means of private clouds or hybrid clouds (combining private and public services), from providers such as AWS, IBM and Microsoft Azure. Cloud computing is necessary for almost all technical solutions in this field, such as AI, IT as a service (ITaaS), platform as a service (PaaS) and software as a service (SaaS) – in other words, for all applications requiring high computing power.

Cloud solutions were initially considered problematic because the leading cloud providers are mostly based in non-European countries. They also often fail to meet German data protection and IT security requirements or to sufficiently minimise the risk of third-party access (e.g. by foreign authorities).

This has changed over the past two or three years, as leading providers such as Amazon, Adobe, Google, IBM, Microsoft, Oracle, Salesforce and SAP now provide many so-called enabling services under the ‘as-a-service’ model only. These include recommendation management in e-commerce, field service and dispatching, creditworthiness and risk scoring, distributed data analysis and chatbot configuration tools. At present, these providers are also often the only ones who can afford to maintain their own communities of developers to produce the wide range of services in demand on central developer platforms.

Platform AI solutions – including Salesforce Einstein, Amazon SageMaker, SAP Leonardo, Pega, IBM Watson, Google Cloud AI, Tensorflow and Microsoft Azure Machine Learning – are now only available as cloud solutions. The same applies to platforms providing intelligent text, messaging and voice services for digital assistants, such as Amazon Alexa, Apple Siri, Google Assistant, Microsoft Cortana or Samsung Bixby. These services are essential for digitalising customer interfaces and for customer service in general. Another argument in favour of using cloud services is the improved level of data protection that has now been achieved, particularly through the new agreements on the EU-US Privacy Shield, which were concluded in 2019.36

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36 The EU-US Privacy Shield was created by the European Commission on 12 July 2016 as a legal basis for data transfers from the EU to US companies. In this adequacy decision, the EU notes that if a US company is certified under the Privacy Shield, it follows sufficient data protection requirements for data to be transferred to it without further safeguards. The Privacy Shield thus replaces the Safe Harbor Agreement, which was declared null and void by the European Court of Justice in 2015. For information on the changes, cf. www.bfdi.bund.de/DE/Infothek/Pressemitteilungen/2019/09_ADA_PrivacyShield.html.
The following trends in cloud computing are currently relevant for the contact centre and CRM market:

1. **Increasing move to cloud solutions**
   
   Many companies are using cloud services much more frequently than in 2017 and 2018. This is partly due to the growth of cloud-based CRM systems (e.g., SDFC Marketing, Sales and Service Cloud, Microsoft Dynamics 365 and SAP C4 HANA/CXP). The increasing integration of IoT services and solutions, together with cloud-first backend strategies, are also increasing cloud usage.

2. **Multicloud and hybrid multicloud solutions**
   
   Companies often use cloud services from different providers. According to a representative survey, 73% of companies are committed to a multicloud strategy of this type.37

3. **AI solutions for customer interfaces and e-commerce**
   
   In 2019, many AI applications for customer interfaces or e-commerce were introduced or reached market maturity. These include recommendation management using recommendation engines, intelligent chatbots, voicebots and textbots with voice-to-text capability, self-learning process robots, RPA, and machine learning solutions for interacting with digital assistants.

4. **Data management as a service**
   
   Among the most important cloud developments in 2019 was cloud-based data management for complex solutions or big data solutions. The main challenge here is to generate data from different sources and make it available in different formats for many projects simultaneously. Data analyses often include both structured and unstructured data, as well as third-party data. This poses great challenges for BPO providers and customer service providers that evaluate third-party data for their clients, particularly with regard to data management, data resilience and GDPR-compliant data protection measures.

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In the future, the majority of legacy systems and applications will be migrated to cloud services and PaaS models. Contact centre/CRM providers are still only at the beginning of this process. The switch to solutions based on ITaaS and business process as a service (BPaaS) will allow these companies to dynamically expand their service portfolios and respond more flexibly to rapid changes in the quantity of work available.

However, the scalability, flexibility and agility gained through cloud services also reduce the barriers to entry. New competitors specialising in cloud computing and AI-based solutions will particularly benefit from this development. Traditional contact centre/CRM providers and BPO providers must therefore make efficient use of their industry expertise in managing customer service agents and volume of work – and they must work to win customers over, particularly regarding human-machine interactions.

**CRM providers must demonstrate quantitative effects of solutions**

The symbiosis between humans and machines is becoming increasingly key to success in the contact centre and CRM market. This is especially true for the development and implementation of CRM 2.0 solutions. All market participants – contact centre, CRM, CXM and BPO providers – need to carry out qualitative and quantitative evaluation of the design, conception and implementation of technological customer solutions. However, many service providers are still struggling to put together specific business cases and develop data models for generating key performance indicators that are relevant to their clients.
Customer service 2.0, digitalisation and automation

CRM 2.0 services as growth drivers

| Fig. 16  Definitions: customer services 1.0 and 2.0 |
|-----------------|-------------------------------------------------|
| **Customer service 1.0** | |
| **Inbound status tracking and information management** | Telephone-based customer service where customers make direct contact by phone, fax, email or interactive chat box to ask about the status of transactions, contracts or shipments |
| **Administrative support** | Customers contact customer service agents by phone, mail, fax or chat to add and/or change master data, billing data and contract data |
| **Outbound and inbound sales** | Telephone sales for products and services |
| **Tech support** | Telephone-based customer service for technical questions about the product or service and for dealing with technical faults |
| **Irregularity management** | Customer support for irregularities in non-technical services (e.g. cancellations, delays and rebooking of flights or train journeys) |
### Warranty management and recall
- Warranty claims and recalls made, forwarded and dealt with by phone, email, chat, fax or post.

### Complaint management
- Customer centre agents responsible for accepting and forwarding complaints and claims, and for making gestures of goodwill.

### Social media management
- Management of posts and customer engagement via social media channels.

### Emergency and claims management
- Damage recorded, immediate assistance provided in the event of damage or emergency.

### Customer service 2.0

<table>
<thead>
<tr>
<th>Skill-based and skill-enabled customer services 2.0 (focus on talent and people)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contact centre as a service</strong></td>
</tr>
<tr>
<td>Cloud-based solution that allows a company to use contact centre software from a service provider. This enables targeted access to technologies, reducing the need for internal IT support.</td>
</tr>
</tbody>
</table>

| **Automated customer journey management and design** |
| Continuous measurement, analysis, evaluation and design of customer touchpoints throughout customer journeys, with the aim of optimising the customer journey |

| **Data analytics and customer intelligence (as a service)** |
| Operational skill pools, such as data scientists and developers for continuous development of new applications, products and prototypes to improve client operating models (focus on service) |

| **E-learning** |
| Developing and implementing digital learning modules (automatic editing and content creation) and operating the platforms required (content management systems) |

### Technology-enabled 2.0 services

| **Chatbot platforms** |
| Designing and operating custom chatbot applications, based on a modular platform (factory) where appropriate, to offer the most scalable, customer-specific solutions possible |

| **Multi-channel chatbot integration and monitoring** |
| Multi-channel integration and management of chatbots. This also includes targeted routing of requests to customer service agents via chatbots (automated human-machine handshake). |

| **AI-powered infotainment and recommendation management** |
| Designing and implementing self-learning software, algorithms or neural networks (AI) for intelligent, personalised infotainment (e.g. optimised route planning for electric vehicles, personalised media suggestions), recommendation management as a service (e.g. e-commerce solutions for cross-selling and upselling, handling payments, redeeming points, using loyalty statistics, etc.), location-based services (LBS) |

| **Design, implementation and management of additional location-based services** |
| Designing LBS to boost high-street business. Analysis of mobile location data (mobile identities), remote management of beacons (technical support), beacon communication campaigns and content management |

<p>| <strong>Mobile app development and management</strong> |
| Multi-channel design, creation and operation (e.g. providing updates) of mobile apps; enterprise app store as a service (i.e. operating enterprise app stores for clients, positioning apps in public app stores and on social media) |</p>
<table>
<thead>
<tr>
<th>Service Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design, development and operation (management) of digital assistant solutions</td>
<td>Operating voice, text and messaging solutions for integration with digital assistants (e.g. Alexa, Siri, Google Assistant)</td>
</tr>
<tr>
<td>Multi-channel customer self-service</td>
<td>Developing, implementing, managing (measurement, analysis, continuous improvement) and operating customer self-service systems, including flows of information between IT system components to broaden the range of customer self-service and increase functionality</td>
</tr>
<tr>
<td>Remote monitoring and diagnostics, error analysis and repair</td>
<td>Developing integrated services based on IoT applications, ITaaS and PaaS for remote monitoring, diagnostics, fault analysis and repair (e.g. remote reading and power cut-off systems for smart meters, smart grids and network timetable management in the energy industry; battery management and charging infrastructure management for e-mobility)</td>
</tr>
<tr>
<td>Remote diagnosis and consulting in healthcare</td>
<td>Developing, implementing and operating apps and/or central contact points for diagnosing illnesses, monitoring progression of the illness and providing medication (online pharmacy solutions)</td>
</tr>
<tr>
<td>Digital devices (smart meters, digital inventory, etc.)</td>
<td>Implementing and maintaining IoT applications for users of BPO</td>
</tr>
<tr>
<td>Data management platforms (DMPs)</td>
<td>Implementierung und Betrieb von IT-Applikationen und IT-Infrastrukturen für das Datenmanagement, insbesondere im Zusammenspiel zwischen CRM und Marken- bzw. Kundenkommunikation (Analyse und Auslieferung von Kampagnen)</td>
</tr>
<tr>
<td>Robotic Process Automation (RPA)</td>
<td>Implementing and operating IT applications and infrastructure for data management, particularly for interaction between CRM and brand/customer communication (campaign analysis delivery)</td>
</tr>
<tr>
<td>Ecosystem management (platform management and app management)</td>
<td>Structuring and maintaining IT ecosystems for users of BPO</td>
</tr>
</tbody>
</table>
Customer service 2.0, digitalisation and automation

Companies can succeed in the German contact centre/CRM market in the long term if they achieve sustainable growth and EBIT margins of 8% to 10%. Customer service 2.0 is a crucial lever for achieving this. Considered in isolation, customer service 2.0 can achieve EBIT margins of 12% to 20%, providing a basis for investment and healthy growth which benefits both service providers and clients. Traditional call centres which do not specialise in a specific industry and rely purely on inbound sales will have disappeared by 2025, and human customer service agents will be unable to provide the customer service of the future while still covering the resulting costs without the help of technology.

When entire industries switch from product-centric to more service-centric business models in the course of digitalisation, they must also digitalise their customer interfaces – both upstream and downstream. This is the only way that companies can automate and network their customer interactions. Successful digitalisation in this context must incorporate the bulk of customer information, communications and transactions, including customer ID systems, payment systems and the entire customer administration system at the point of sale/service.

Product processes, customer service processes, brand communication and brand interactions with the customer also need to be synchronised at the customer interfaces – i.e. digitalised and automated. This particularly applies to projects in which brand or product campaigns are managed and delivered through data management platforms (DMPs) and incorporate a high degree of automation. Digitalisation of customer interfaces therefore equally affects marketing, sales and customer service.

Companies also need to transform the administrative processes and supporting processes in their finance functions. At present, companies are mainly using process automation, external platform services or shared services (e.g. services managed by BPO providers) to reduce costs and yield positive margins.

Customer service 2.0 is becoming a success factor for contact centre/CRM providers, and BPO providers must also make changes in order to provide satisfactory support to their clients (B2B) or end consumers (B2C). With 1.0 services, BPO providers can usually only carry out parts of customer service processes. Customer service 2.0 enables end-to-end processing of enquiries, either as an integral part of product services or as a stand-alone service offered by external providers of BPO or other services.

Against the background of the predicted market conditions and changes, the economic and macroeconomic factors at play and the increasing use of technology in customer services, customer service 2.0 is a key success factor for contact centre/CRM service providers. Or, to put it more bluntly: without an industry-specific portfolio of these new services, CRM providers will end up well behind the competition – if they survive at all.

Pioneers in the market generally supplement their customer service 2.0 portfolio with administrative services upstream or downstream of transactions. These include onboarding services, provider switching services, data protection services and identification/ authentication systems (KYC).
Germany's largest customer service provider

Christoph Thieme, CEO at Webhelp DACH

Webhelp and Sellbytel have now been a single company for more than a year. We are very pleased about the many advantages this merger gives us for the future – with 55,000 employees, we are now Europe’s largest customer service provider. With omnichannel know-how and extensive experience in transformation projects from Webhelp, and great expertise from Sellbytel – especially in B2B sales, tech support and working from home – we can offer many different innovations in the customer journey.

Customer satisfaction, customer experience and cost discipline

The complementary location strategies of the two companies has been another benefit of the merger. Webhelp has many onshore locations in Europe and very large nearshore capacities for all major European languages, especially German. Sellbytel provides a great deal of expertise in the design and operation of multilingual hubs, besides operating customer-oriented microsites and having a presence in the US and Asia. This mix allows us to provide high-quality, low-cost services, enabling internationalisation in the German-speaking market.

Our clients expect a high standard of customer satisfaction and customer experience, combined with cost discipline, so that they can hold their own in competitive markets. As an international BPO provider and a driver of innovation, Webhelp helps companies to maintain a competitive advantage and expand it in the long term. Traditional good service from friendly, fast and competent employees is the foundation of top-quality customer service. Despite numerous trends towards automation and the demand for technological solutions, personal interaction with a customer advisor remains essential for a company to satisfy its customers. This is why we completely reinvented our global brand in autumn 2019 around our new motto: “Webhelp – Think Human”.

Technology can significantly improve personal interaction

Personal interactions between customers and customer advisors can, however, be significantly improved by using technology before, during and after the conversation. Because of this, we rely on a dual strategy focusing on both employees and technology, using AI, language analysis and other innovations. By making use of our own specialised subsidiaries (e.g. gobeyond) and cooperating with technology market leaders, we provide substantial support to our clients to help progress their digitalisation strategies and develop a unique customer service experience.

In line with our own merger, we are seeing significant consolidation of competition and a change in the structure of providers. We see high levels of technological expertise and economies of scale as the main drivers of this development. However, we are not experiencing competition from vertically integrated providers. By using complementary skills, we can grow together with these partners and create added value for both sides – for example, our AI solutions include building blocks from these providers.
Relevance of customer service 2.0 for outsourcing providers and clients

Contact centre/CRM providers, BPO providers and their clients need to successfully develop, implement and manage customer service 2.0 – if nothing else, simply because customer service 2.0 is relevant for their end consumers. These customers can constantly obtain information through mobile devices, apps and social media, accessing data relating to various different processes (current status, for example). They expect the same from customer service: companies should be able to answer enquiries competently, quickly and at any time, communicating in real time and providing information on the latest developments through a variety of digital channels. Companies need to be aware of their customers’ ‘digital impatience’, and meet customer expectations with innovative digital solutions.

When Clara talks to Alexa: learning from the best

To provide customers with information about products and services on their preferred channels, companies are increasingly turning to customer-centric self-service, such as on company websites. Chatbots on social media platforms are also becoming increasingly important in this field. These channels enable customers to get rapid answers at any time – though only to relatively simple questions at present – without having to speak to customer service staff.

<table>
<thead>
<tr>
<th>Fig. 17</th>
<th>Average relevance of customer service 2.0 services for clients, in terms of relative priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>Providers</td>
</tr>
<tr>
<td>Contact centre as a service</td>
<td>↓</td>
</tr>
<tr>
<td>Customer journey management and design</td>
<td>↓</td>
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<tr>
<td>Data analytics and customer intelligence</td>
<td>↓</td>
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<tr>
<td>E-learning</td>
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<tr>
<td>Chatbot platforms</td>
<td>↓</td>
</tr>
<tr>
<td>AI-powered infotainment and recommendation management</td>
<td>↓</td>
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<tr>
<td>App development</td>
<td>↓</td>
</tr>
<tr>
<td>Online self-service</td>
<td>↓</td>
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<tr>
<td>Digital devices (smart meters, digital inventory, etc.)</td>
<td>↓</td>
</tr>
<tr>
<td>DMP</td>
<td>↓</td>
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<tr>
<td>RPA</td>
<td>↓</td>
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<tr>
<td>Ecosystem management (platform management and app management)</td>
<td>↓</td>
</tr>
</tbody>
</table>

2.2 With regard to your objectives and priorities as chosen in the previous question, which of the following customer service 2.0 services are important to you at present, and which services will be important in the future (with particular regard to the customer value added that they generate)? Here: average values of the distribution of the 100% of all participants.
For example, Facebook’s Messenger chatbot, Mildred, is one of the channels available for Lufthansa passengers to interact with the company. Lufthansa also uses RPA solutions to retrieve information on flight status and efficiently rebook flights. This means that getting through to a call centre is no longer necessary in most cases. Another example is coffee supplier Nespresso: the company provides a virtual assistant which gives customers a step-by-step guide to using their coffee machines. The Otto Group, meanwhile, has created a virtual assistant named Clara, making the company one of the first online retailers to offer a digital service agent for questions relating to the ordering process – for example, regarding delivery status or details of specific products. It certainly won’t be long before Clara can communicate with Amazon Alexa and other digital assistants too. US coffee manufacturer Starbucks provides another example: the company uses voicebots to enable customers to order beverages from home using Alexa.

Customers pay with their Starbucks Bonus credit card and pick up their order at the café. Finally, online glasses retailer Brille24 has introduced a system that enables customers to book appointments via WhatsApp or Facebook Messenger with participating opticians and receive exclusive offers from them.

Customer service 2.0 supports customer human service agents

Customer service 2.0 also offers advantages for downstream processes. AI- and RPA-powered intelligent routing systems can automatically classify customer enquiries, categorise them and either give a standardised response (self-service, push message) or forward them to qualified customer service agents.

Customer service employees working for the mobility platform Uber, for example, receive automated suggestions for solving customer enquiries. These suggestions vary depending on the context; for example, where the customer is located and when they make their enquiry. Weather conditions are also factored in.

Even simple smart forms can help companies to use expensive customer service agents in the most efficient way possible, as they already contain important customer data so that agents don’t have to enter it repeatedly. The examples given here are just some of the many capabilities and applications of these new technologies.

Customers accept customer service 2.0

Customer surveys show that new customer service technologies are gaining more and more acceptance as more and more customers use them. However, the question of what tangible contribution customer service 2.0 makes to growth, costs and margins remains unanswered, as does the question of which industries benefit most. It also remains to be seen how customer service 2.0 will affect customer service sourcing and outsourcing. However, in a recent PwC survey on implementation and usage of RPA solutions in the US insurance industry, almost 40% of companies expected RPA solutions to positively influence solution sourcing.

Sensitivity of industries to customer service 2.0

Relevance of customer service 2.0 and sensitivity and openness towards it varies – in some cases considerably – by industry. However, the lack of quantitative data means that sensitivity and relevance can only be assessed qualitatively.

Before we take a detailed look at individual sectors in the following section, we would like to highlight one core result: our interviews have shown that decision-makers from the pharmaceutical, healthcare, and energy sectors consider customer service 2.0 to have a greater impact on their value creation than decision-makers from the telecommunications, tourism, and catering industries.

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Consumers use smartphones, tablets, video calling and other means of telecommunications for several hours a day. Although companies in this sector are driving digitalisation of professional and private life, they often postpone digitalisation of their internal processes. The potential benefits of digitalisation are immense, especially because telecommunications companies have direct access to wide-ranging data revealing customer behaviour. They should therefore make greater use of this opportunity to optimise products and services with the help of intelligent analysis.

**Fig. 18  Top three industry drivers**

<table>
<thead>
<tr>
<th>Driver</th>
<th>Top 2.0 services</th>
<th>Feasibility</th>
<th>Progress</th>
<th>Importance</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunications</td>
<td>Outsourcing of CRM 1.0</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>Volume of calls can be adequately handled; faster administrative work</td>
</tr>
<tr>
<td></td>
<td>Robotic process automation (RPA)</td>
<td>Medium</td>
<td>Very low</td>
<td>Very high</td>
<td>Increased operational efficiency</td>
</tr>
<tr>
<td></td>
<td>App development</td>
<td>Very low</td>
<td>Medium</td>
<td>Medium</td>
<td>User-friendliness adds value and increases customer satisfaction</td>
</tr>
</tbody>
</table>
The entry into the market of competitors from outside the industry and the declining commodities business are factors that are currently having a strong impact on the energy industry. Technological progress in other industries and the associated rise in customer expectations of customer services are having an influence as well. In order to adapt to these developments, the industry will need to focus more on expanding its own customer service skills and resources – and less on outsourcing. Automated processes, agile organisational structures and customer-oriented personnel will become central foci of optimisation to meet customer expectations. Energy suppliers’ customer services will increasingly move towards personalised product offers and services – AI-powered systems could increasingly assist with this in the future. At present, however, the energy sector is still in the early stages of developing customer service 2.0 and is rather lagging behind other sectors. Integrating chatbots, for example, could significantly increase the availability and quality of customer service across all digital channels, and intelligent customer analyses could help companies to better understand their customers in the future and make targeted use of these findings.

**Fig. 18  Top three industry drivers**

<table>
<thead>
<tr>
<th>Energy and utilities</th>
<th>Driver</th>
<th>Top 2.0 services</th>
<th>Feasibility</th>
<th>Progress</th>
<th>Importance</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Continuous redevelopment of customer self-service</td>
<td>AI-powered infotainment and recommendation management</td>
<td></td>
<td></td>
<td></td>
<td>Personalised additional services</td>
</tr>
<tr>
<td></td>
<td>Investment in internal resources</td>
<td>Data analytics and customer intelligence</td>
<td></td>
<td></td>
<td></td>
<td>Efficient evaluation of customer data provides detailed understanding of customers</td>
</tr>
<tr>
<td></td>
<td>Increase in single-person households</td>
<td>Integration of Chatbot</td>
<td></td>
<td></td>
<td></td>
<td>Targeted routing of customer enquiries</td>
</tr>
</tbody>
</table>

Very low Low Medium High Very high
Customers of banks, insurance companies and other financial service providers are still very reluctant to use digital channels for taking out insurance policies and loans or making investments. However, this is also changing: online and direct banks, and fintech companies in particular, are offering more and more mobile and online solutions. Their product and service portfolios are becoming increasingly digitalised, which is creating price pressure for traditional banks and insurance companies. Customer service 2.0 at the customer interface is in greater demand than ever before among financial service providers.

Conversational banking, for example, in which customers directly interact with their bank using various technologies, will become a key element of banks’ omnichannel strategies in future. Sparda-Bank in Munich, for example, also offers customer support via the WhatsApp messaging service. Users have become accustomed to getting a personalised customer experience from other digital companies, and they now expect the same from banks. Many users of financial services are even willing to disclose personal data for convenient and personalised customer service – 79% of customers, according to surveys. Data analytics can also help financial service providers to optimise customer retention programmes.

Figure 18: Top three industry drivers

<table>
<thead>
<tr>
<th>Driver</th>
<th>Top 2.0 services</th>
<th>Feasibility</th>
<th>Progress</th>
<th>Importance</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>Reorganisation to give stronger customer orientation</td>
<td>E-learning</td>
<td>Medium</td>
<td>Medium</td>
<td>Relevant knowledge-based support</td>
</tr>
<tr>
<td>Price rises, due to automation of simpler service processes and outsourcing of more complex tasks to customer service agents</td>
<td>App development</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>Convenient financial services improve the customer experience</td>
</tr>
<tr>
<td>Demand for service-oriented (digital) products and management of these services</td>
<td>Customer journey management and design</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Cross-channel dialogue increases customer loyalty gripping dialogue</td>
</tr>
</tbody>
</table>

Margins in the consumer goods sector are generally narrow, so the industry has to rely on efficient and largely automated interaction and customer service processes to a greater extent than other industries. Multi-channel services are essential for this – and, in particular, a highly automated shopping journey in e-commerce. Above all, it is important to create special digital customer experiences before, during and after use of products and services.

Today, the majority of consumers expect digital after-sales service. Customer requirements in the consumer goods sector are also changing faster than in many other industries, so companies must be able to react flexibly. However, digitalisation brings not only complex challenges, but also great opportunities for the sector.

A cross-channel customer experience can retain customers in the long term – especially since more and more data is being generated all the time by the many online customer interactions. And this data alone makes it possible to adapt customer service to changing customer needs.

---

**Fig. 18  Top three industry drivers**

<table>
<thead>
<tr>
<th>Driver</th>
<th>Top 2.0 services</th>
<th>Feasibility</th>
<th>Progress</th>
<th>Importance</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail/consumer goods</td>
<td>AI-powered infotainment and recommendation management</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Personalised sales pitches improve customer satisfaction and cross-selling/upselling</td>
</tr>
<tr>
<td></td>
<td>Data analytics and customer intelligence</td>
<td>Medium</td>
<td>High</td>
<td>Very low</td>
<td>Monitoring, process optimisation and price optimisation</td>
</tr>
<tr>
<td></td>
<td>Digital services</td>
<td>High</td>
<td>Very high</td>
<td>Very high</td>
<td>New possibilities for marketing and customer retention; improved supply chain management</td>
</tr>
</tbody>
</table>

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More and more people are willing to use new online services in the healthcare sector – for example, submitting prescriptions on pharmacy platforms.\(^{44}\) The 2019 *PwC Consumer Insights Survey*\(^{45}\) revealed that, when dealing with health issues, two thirds of respondents would also contact companies that they had not previously associated with health-related services: Google, Amazon, Facebook and Apple, for example. The market power of these companies enables them to put pressure on traditional competitors in the healthcare sector. It is therefore essential that these traditional companies can offer digital services comparable to the likes of Google and Amazon. Otherwise, their competitiveness will eventually fall, and they may even be forced out of the market altogether by new competitors.

### Fig. 18 Top three industry drivers

<table>
<thead>
<tr>
<th>Driver</th>
<th>Top 2.0 services</th>
<th>Feasibility</th>
<th>Progress</th>
<th>Importance</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>E-learning</td>
<td>(\not\bigstar)</td>
<td>(\bigstar)</td>
<td>(\bigstar)</td>
<td>Relevant knowledge-based support</td>
</tr>
<tr>
<td>New business models for telemedicine and telediagnosis</td>
<td>Data analytics and customer intelligence</td>
<td>(\not\bigstar)</td>
<td>(\not\bigstar)</td>
<td>(\bigstar)</td>
<td>Personalised customer interaction</td>
</tr>
<tr>
<td>E-health regulations promoting provision of digital services</td>
<td>Robotic process automation (RPA)</td>
<td>(\not\bigstar)</td>
<td>(\bigstar)</td>
<td>(\bigstar)</td>
<td>Improved operational efficiency, consistent data processing</td>
</tr>
<tr>
<td>Large number of high-quality, personalised services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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The Online Access Act of 2017 (Onlinenzugangsgesetz, or OZG) is the main driver of digitalisation in the public sector in Germany. It specifies that all public-sector administrative services must be available electronically by 2022. Nevertheless, actual implementation has so far been slow. This due to the lack of digital skills among many employees, who are often yet to receive sufficient training.46

Many processes in the public sector are still paper-based, and digital equipment – if available at all – is frequently inadequate. However, the public want more digital contact options, straightforward services, fast response times, and transparent, convenient, round-the-clock interaction – just as they are used to from commercial information sites or sales platforms. Innovative technologies in the public sector would make administrative processes simpler and more public-focused. This requires appropriate prioritisation at management level and a political framework to support the changes.

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In the tourism sector, Millennials currently account for 50% of purchasing power. For this reason, companies should pay particular attention to the digital needs of this target group. Chatbots, interactive voice response (IVR) systems and other digital solutions can enhance the customer experience of making a business trip, going on holiday, or visiting a restaurant. After all, the availability of round-the-clock communication channels is exceptionally important for customers in the travel industry. This includes systems such as chatbots, which give quick answers and even respond at night when customer service staff are not available.

![Top three industry drivers](image-url)

**Travel and hospitality**

- **New technologies, leading to personalised customer service models and rising expectations**
- **Shift to high-quality services and personalised design for customers**
- **High demand for automated services**

<table>
<thead>
<tr>
<th>Driver</th>
<th>Top 2.0 services</th>
<th>Feasibility</th>
<th>Progress</th>
<th>Importance</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel and hospitality</td>
<td>AI-powered infotainment and recommendation management</td>
<td></td>
<td></td>
<td>High</td>
<td>Highly personalised customer interactions improve customer satisfaction</td>
</tr>
<tr>
<td>Main drivers (2018–2022)</td>
<td>RPA</td>
<td></td>
<td></td>
<td>High</td>
<td>Increased operational efficiency</td>
</tr>
<tr>
<td></td>
<td>E-learning</td>
<td></td>
<td></td>
<td>High</td>
<td>Relevant knowledge-based support</td>
</tr>
</tbody>
</table>

Very low  Low  Medium  High  Very high
Many companies separate the digitalisation of customer interactions from other digital transformation processes – unlike internet companies. Internet companies usually recognise how to apply the benefits of digitalisation sooner than other companies do – for example, how interfaces from internal projects can be directly applied to customer interfaces and used to increase customer loyalty.

This is an extremely important success factor in the internet industry, as customers in the industry have a particularly high tendency to switch providers – for example, in e-commerce. As a result, a compelling customer experience is generally the top priority in this industry, and digital customer service should be as convenient and work as smoothly as the platform itself.

### Fig. 18  Top three industry drivers

<table>
<thead>
<tr>
<th>Driver</th>
<th>Main drivers (2018–2022)</th>
<th>Top 2.0 services</th>
<th>Feasibility</th>
<th>Progress</th>
<th>Importance</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>Continuous development of new business models</td>
<td>Ecosystem management</td>
<td>⬤ ⬤ ⬤</td>
<td>⬤ ⬤ ⬤</td>
<td>⬤ ⬤ ⬤</td>
<td>Ecosystem-based business models can be implemented</td>
</tr>
<tr>
<td></td>
<td>Trend towards 24/7 customer service will increase dependence on contact centre services</td>
<td>Online customer self-service</td>
<td>⬤ ⬤ ⬤</td>
<td>⬤ ⬤ ⬤</td>
<td>⬤ ⬤ ⬤</td>
<td>Helps focus on complex customer enquiries</td>
</tr>
<tr>
<td></td>
<td>Lower price sensitivity for high-quality, personalised services and solutions</td>
<td>App development</td>
<td>⬤ ⬤ ⬤</td>
<td>⬤ ⬤ ⬤</td>
<td>⬤ ⬤ ⬤</td>
<td>Increase in market value</td>
</tr>
</tbody>
</table>

Very low  
Low  
Medium  
High  
Very high
Investment in customer service 2.0

One of the things we wanted to find out for this study was which aspects of customer service are investment foci for top decision-makers of contact centre, CRM and BPO providers. The result: employee training already accounts for more than 50% of investment, and this will rise to over 60% by 2022.

In companies that need customer services, on the other hand, only 30% of total investment currently goes towards training their customer service staff. These companies plan to increase this share to up to 50% by 2022.

Recent surveys and studies also show which customer service 2.0 channels companies should invest in in the future. The top priorities are mobile apps, AI-based solutions and virtual assistants. In contrast, traditional channels such as email, callback systems and self-service systems using interactive voice response are becoming less important.

B2C and B2B customer expectations

The transformation of customer service continues unabated: digital companies such as Amazon, Netflix and Spotify have already radically changed the market environment with new business models, personalised services and new service experiences; new technologies will only continue this change. As a result, the way consumers use customer services and what they expect from them is also changing. This applies equally to all industries and to both the B2C and B2B sectors. Customers no longer evaluate companies based on their products alone – after all, substitutes are often readily available – but rather, on the basis of the customer interaction experience, which should ideally feature seamless interfaces between digital and analogue touchpoints.

Customer service is the most personal and most important interface with the customer, which is why it should be held to the highest possible standards. In particular, digital natives – who grew up with the internet and, on average, spend several hours a day on social networks – expect digital customer services on multiple channels, such as chat, voice messaging and social media – anytime, anywhere.

These changes in B2C will also take hold in B2B with the increasing use of mobile devices: like B2C customers, B2B customers will expect enquiries to be processed immediately, quickly and at any time. Customer service will also be increasingly integrated into B2B customers' processes; for example, tracking in logistics processes. Or they may even become an integral part of the product, as is the case in vehicles with networked infotainment systems.

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47 Cf. Gartner, IBM, Accenture, his (among others).
Customer service 2.0, digitalisation and automation

Fig. 19  Do providers and clients have the same expectations regarding future development?

Assessment of the importance of goals and priorities in improving digital customer service expertise, from the perspective of both providers and clients.

<table>
<thead>
<tr>
<th></th>
<th>Clients 13% higher than providers</th>
<th>Clients 10% lower than providers</th>
<th>Clients 13% lower than providers</th>
<th>Clients 13% lower than providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Increase in process efficiency (cycle time)</td>
<td>4.3 4.4 5.1</td>
<td>3.7 4.2 5.0</td>
<td>3.2 3.4 3.6</td>
<td>3.0 3.4 4.3 4.4</td>
</tr>
<tr>
<td>2. Reduction of manual steps in customer service (automation)</td>
<td>4.3 4.7</td>
<td>4.2 4.6</td>
<td>2.9 3.0</td>
<td>4.8 5.0 5.1 5.3</td>
</tr>
<tr>
<td>3. Optimisation of IT infrastructure (hosting and licensing via BPO) to provide digital customer services</td>
<td>3.2 3.4 3.6</td>
<td>4.3 4.4</td>
<td>4.3 4.7</td>
<td>4.5 4.7 4.9 5.5</td>
</tr>
<tr>
<td>4. Implementation of integrated, multi-channel sales (omnichannel)</td>
<td>2.9 3.0</td>
<td>4.5 4.7</td>
<td>4.3 4.7</td>
<td>4.3 4.7 4.5 4.9</td>
</tr>
<tr>
<td>5. Increase in process quality/ lower error rates</td>
<td>2.9 3.0</td>
<td>4.5 4.7</td>
<td>4.8 5.1 5.3 5.5</td>
<td></td>
</tr>
<tr>
<td>6. Use of AI and knowledge management to optimise quality and quantity of customer service</td>
<td>2.9 3.0</td>
<td>4.5 4.7</td>
<td>4.8 5.1 5.3 5.5</td>
<td></td>
</tr>
<tr>
<td>7. Reduction of process costs</td>
<td>2.9 3.0</td>
<td>4.5 4.7</td>
<td>4.8 5.1 5.3 5.5</td>
<td></td>
</tr>
<tr>
<td>8. Increase in sales activities (e.g. next best offer, automated follow-ups, recommendation management, upselling and cross-selling)</td>
<td>2.9 3.0</td>
<td>4.5 4.7</td>
<td>4.8 5.1 5.3 5.5</td>
<td></td>
</tr>
</tbody>
</table>

Anomalies:

- Clients (today) vs. Providers (today)
- Clients (future) vs. Providers (future)
Holistic solutions based on performance

Torsten Krause, CEO at Ströer Dialog Group GmbH

Ströer Dialog Group GmbH is part of the Ströer media group, which operates several thousand websites, primarily in German-speaking countries, and around 300,000 out-of-home advertising spaces. With our recent expansion into dialogue marketing, we can offer our customers holistic, performance-based solutions – from location- or content-based coverage and interaction, across the entire spectrum of dialogue marketing, right down to transactions. Our subsidiary Ströer Dialog Group GmbH is one of the leading Germany-wide dialogue marketing specialists, combining custom contact centre services with performance-oriented field sales. The company is also a partner for successful customer management solutions, employing approximately 9,100 people in more than 25 contact centres and 150 sales offices in Europe. These handle approximately 142 million customer interactions per year in twelve core industries, including telecommunications, energy, IT, tourism, multimedia and e-commerce.

Bringing together humans and machines

Our strategy for digital transformation and our vision of future dialogue marketing are defined by the combination of talent and technology. We bring humans and machines together on multiple levels: for example, with intelligently connected, AI-based chatbots that enable consistent customer service 24 hours a day. In addition to their cost efficiency and their ability to simultaneously handle multiple enquiries, chatbots can provide answers to basic questions, or give instructions. Another example is the integration of AI and automation into live training processes. This simplifies the customer service agent’s work and enhances the customer experience at the same time.

Digitalisation of internal business processes

We have also made great progress in our internal corporate processes over the past two to three years. Important HR processes are currently being digitalised or have already been digitalised – our digital applicant management system, for example. As a people business, digital transformation of our HR process chains has great potential to increase efficiency.
Quality and quantity of customer interactions

Against this background, what makes for good customer service? According to the participants in our study, quality of solutions and speed of processing are among the most important criteria. Diversity of channels is less important for customers, as it is already a common standard among companies. To meet high customer expectations, companies must change their digital ecosystems. If they succeed in doing this, they will be rewarded with higher customer retention and increased sales.

Customers expect the right answers to their questions

When customer services are increasingly integrated into processes and products, the customer enquiries themselves also change. In the mobility sector, for example, customers want quick information on their travel options, regardless of the means of transport. In the past, it was more a question of when the next train departs and arrives, whereas today’s customers also want to know the quickest and cheapest way of making their journey. Although popular, traditional providers such as Deutsche Bahn still frequently struggle with enquiries of this nature.

The central focus in the changing world of customer service is the increasing demand for quality. A high-quality product loses value if the service associated with it does not meet the same standard; in other words, internal services are becoming increasingly important for the operational success of a company in the age of ‘X as a service’ business models.

Besides the new expectation of quality, the quantity of customer interactions is also rising. This in turn increases the pressure on service providers and internal company services. In-house services have so far been considered more as a cost factor, so companies tend to look for ways to reduce high service costs.

But quality and quantity in customer service are not mutually exclusive – quite the opposite! Studies show that 30% to 50% of interactions can already be dealt with using cost-effective online customer service tools, such as customer self-service. These tools have been proven to give higher customer satisfaction and customer retention, and greater convenience throughout the customer journey.49

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How channels, touchpoints and routing are changing

The demand for constant availability placed on customer services by B2C and B2B customers is both a cause and an effect of the changes in use of communication channels. Digital communication channels are replacing telephone or postal communication, and have become standard in many companies. The retailer OTTO, the airline KLM and the telecommunications provider Vodafone, for example, focus on social media customer support by using the WhatsApp messaging service, among other channels. Communication via company Facebook pages is also a common practice nowadays. In Germany, 81% of the population already uses the most common messaging services, and in the future 75% of customers will routinely use more than one communication channel.50

This creates both challenges and opportunities for company customer service. If customers interact with brands via many different touchpoints during their customer journeys, this leads to increased complexity and higher costs. At the same time, it offers companies the opportunity to intelligently network touchpoints that were previously separated. Good examples of this are pre-sales advertising and post-sales product recommendations, which can be connected and evaluated via social media. The information gained from this can be used to better understand customers. If products and services can then be improved on the basis of this information, the process can contribute to company success.

From contact centre to growth centre

With this approach, companies no longer see their contact centres as a cost factor that needs to be minimised. Introducing growth-generating CRM processes to contact centres in order to turn them into growth centres, and subsequently growth drivers for the entire company, is far more important.

Instead of reducing process costs, the focus is now on intelligent automation and efficiency.

To reach this level, companies in all industries will need to look for technology-based smart routing solutions. These include RPA solutions, chatbots and online customer self-service apps.

Customer service 2.0, digitalisation and automation

‘Assisted transformation’ for a better customer experience

André Stark, CEO at Capita Germany

Capita has formulated a clear aim: to be the most successful provider of value-added customer experiences in the market for CRM and customer services. Our long and extensive experience with technology-driven business models means that we will increasingly be positioning ourselves as a provider of integrated end-to-end solutions. This will enable us to provide the best possible support to our clients as they undertake (digital) transformation of their business models and automation of their operating models.

Growth with innovative digital services

As part of our realignment, we have adopted a clear and implementation-oriented strategy for Capita. We are convinced that profitable growth in the German-speaking market is only possible in the long term by investing in new skills. These are essential for delivering innovative, customer-centric digital services and the best possible customer experience.

Mutually beneficial collaboration

Our clients expect us to guide and accompany them on the path to digitalisation and to provide a long-term business case through step-by-step outsourcing. This serves as the foundation of mutually beneficial collaboration. Against this background, we are boosting the expansion of our consulting capabilities so that we can do an even better job of preparing our clients for a customer-centric age, with innovative services and new business models. Alongside the provision of classic CRM and contact centre services – i.e. services provided by customer service agents (CRM 1.0) – it is clear that our future growth will be generated from designing and providing digital services, as well as upstream and downstream consulting services. Both of these are based on our extensive expertise in digital business process outsourcing (D-BPO). Our term for the end result of this is ‘assisted transformation’ – this refers to customer-centric, demand-oriented and (in some cases) ad-hoc support in optimising customer service processes to create a better customer experience. However, we don’t see ourselves purely as a consulting firm: we can also play an operational role in the future. Our strength lies in how we combine both areas.
Humans and machines in harmony

Well-thought out interaction between humans and machines is a core aspect of digitalised business models, as personalised, empathetic communication remains a decisive factor for customer satisfaction. Providing this means significantly higher customer service costs. On top of this, human customer service agents alone will soon no longer be able to handle the increasing volume of customer enquiries. The integration of technology into customer service processes offers a solution to this problem, as it increases efficiency and reduces costs while retaining human know-how in customer service.

New challenges for BPO providers

The integration of technology is changing the demands placed on companies’ customer services: outsourcing providers in particular face enormous challenges. While customer service 1.0, based on human customer service agents, once accounted for the majority of BPO, these services will be outsourced less and less in the future. Technology-based customer service 2.0, on the other hand, will become increasingly relevant. BPO providers need to strike a balance: they will be expected to offer more solutions while relying on fewer human customer service agents, yet they will also be expected to maintain or increase the quality of service regardless of the increase in demand.

The chatbot integration projects mentioned above demonstrate that human customer service agents and customer service 2.0, – i.e. humans and machines – can enter into a profitable symbiosis. Technology companies such as Apple have long made good use of advanced voicebot routing, which quickly directs customers to the right person or answers their queries directly. Online customer self-service offers the same benefits. Combined with advanced AI, it can be expected that humans and machines will continue to work together to improve efficiency and quality of an increasing number of customer service processes.
## Findings on the future development of customer service 2.0

The following section presents the most important results of our investigation, showing which market changes and success factors will have a particularly significant impact on the contact centre/CRM market of the future. These factors are shown from the perspective of both the users and the providers of customer service solutions.

### What users need to know

Customer service is playing an increasingly important role in company success. Our most important findings for the demand side of the customer service industry are as follows:

<table>
<thead>
<tr>
<th>1</th>
<th>Customer service and its quality will become key success factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital business models are spreading rapidly at present, and are characterised by their highly automated integration of strategic aspects – product, customer, market and brand. At the same time, they need more fast, high-quality customer services than ever before.</td>
<td></td>
</tr>
<tr>
<td>The world’s most famous brands – such as Amazon, Netflix, FedEx, Microsoft, Coca-Cola, IBM, Nestlé, and Lufthansa – are so successful because they place CRM at the heart of their business models. Numerous studies show that most companies consider customer experience and customer satisfaction to be among their top priorities; indeed, these factors are often the main drivers of digital transformation.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2</th>
<th>Higher standards of service require more efficient processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to successfully use digital business models, companies need a corresponding efficiency-driven operating model. Under these operating models, processes with poor value-adding potential will be provided almost entirely by external service providers in the future. Core business processes, on the other hand, will remain within the company. Unless processes are made more efficient, raising the standard of digital customer service will be almost impossible.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3</th>
<th>Companies are primarily investing in in-house services</th>
</tr>
</thead>
<tbody>
<tr>
<td>The more important customer service becomes for value creation, and the more central it therefore becomes to the business model, the less frequently companies will outsource it to external service providers. Surveys show that almost a third of corporate decision-makers currently consider the trend to provide services in-house to be important, while only 21% think the same about outsourcing to external service providers. The distribution of customer service budgets is similar: our survey shows that customer service decision-makers are planning to invest 71% of their future budgets in expanding in-house services, while the remaining 29% will be spent on external service providers (although this proportion is exhibiting a tendency to rise).</td>
<td></td>
</tr>
</tbody>
</table>
Conclusion, outlook and recommendations for action

The importance, number and complexity of customer enquiries are rising

The demand for customer service will continue to grow with the rise of digital and increasingly service-centric business models. At the same time, the importance of customer service for companies is growing, as is the complexity of individual enquiries.

The need for technological expertise and resources will grow

BPO providers need sufficient resources (both technical and human) to cope with the increasing volume of customer services. At the same time, technology- and industry-specific service skills are becoming increasingly important – especially in the complex process of developing high-quality customer service 2.0. The most important sourcing criteria – quality and price – will remain important.

Traditional call centre services are becoming less important

As quality of service and technological expertise are becoming more important, commodity services such as classic call centre services are becoming less important. After all, innovative digital services are the key to reshaping customer experiences in almost all industries.

Purely digital companies such as Amazon, Apple and Uber are well advanced in offering consumers simple, direct and personalised interactions; but even traditional B2B companies, such as in the steel and chemical industries, are under pressure to make progress. As a result, these companies are also now working hard on digital ecosystems based on data analysis of customer needs. This, in turn, is creating new opportunities for BPO providers.

What providers need to know

Companies using customer services are focusing investment on in-house services. This will reduce the outsourcing market volume, and in turn increase competitive pressure on CRM and BPO providers. Our most important findings for these providers are as follows:

1. The importance, number and complexity of customer enquiries are rising
2. The need for technological expertise and resources will grow
3. Traditional call centre services are becoming less important
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The authors would like to thank Fabian Schneck, Juliane Kieninger and Hans-Jacob Jebsen from PwC Management Consulting’s Customer Practice for their assistance. Together, the writing team possesses comprehensive customer service expertise – from pre-sale to post-sale – and in-depth knowledge of current trends in customer service 2.0.

About us

Our clients face diverse challenges, strive to put new ideas into practice and seek expert advice. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether for a global player, a family business or a public institution, we leverage all of our assets: experience, industry knowledge, high standards of quality, commitment to innovation and the resources of our expert network in 157 countries. Building a trusting and cooperative relationship with our clients is particularly important to us – the better we know and understand our clients’ needs, the more effectively we can support them.

PwC. Nearly 12,000 dedicated people at 21 locations. €2.3 billion in turnover. The leading auditing and consulting firm in Germany.