



Transforming customer experience

Seizing opportunities in India's growing market

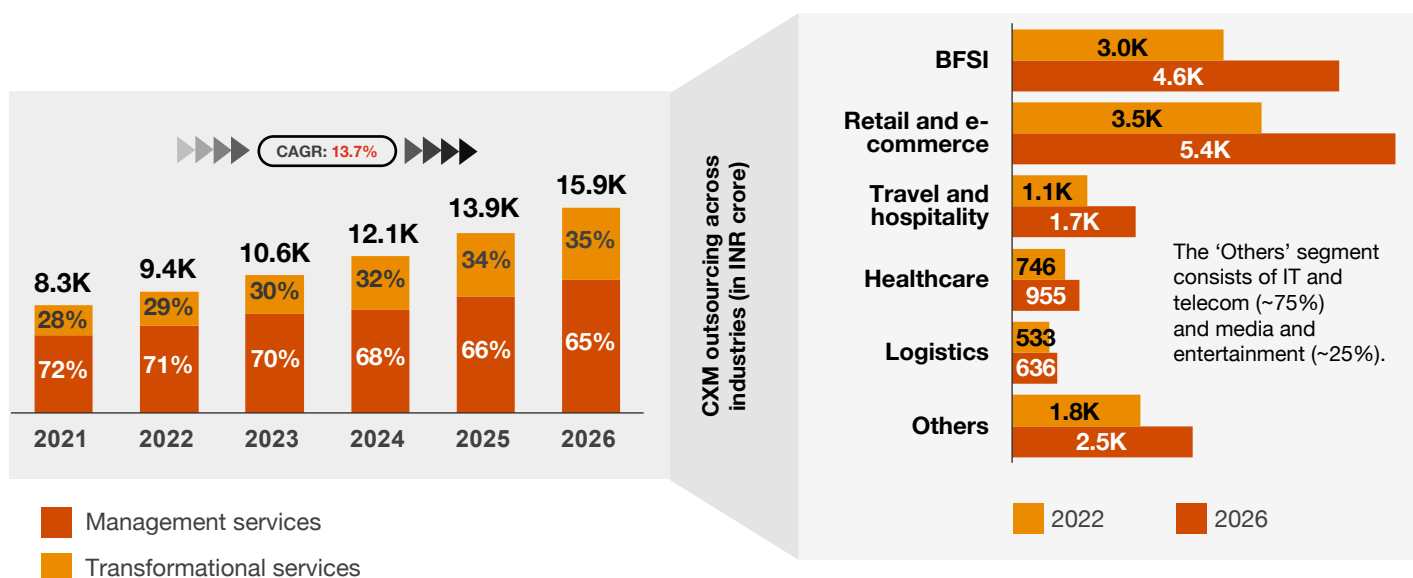
Introduction

India's economy has undergone a remarkable transformation over the past decade, driving disposable income to an estimated INR 2.14 lakh in FY 2023-24.¹ This increase in disposable income offers immense opportunities for consumer businesses to tap into increased consumer spending. To leverage the same, brands are prioritising continuous customer engagement and shifting towards digital channels for product delivery, services and communication. In this article, we explore how the evolving customer experience (CX) landscape is driving changes in enterprise requirements, by transforming them from being contact centre service providers to a holistic customer experience management (CXM) service providers.

The domestic market of CXM service outsourcing in India shows a robust growth trajectory with a compound annual growth rate of (CAGR) of nearly 14%,² driven by demands from industries like e-commerce, banking financial services and insurance (BFSI), and travel and hospitality.

- The **digitally dominant e-commerce space is revolutionising its CX spending** with annual CXM outsourcing expenditures for an average large e-commerce enterprise going as high as INR 75 crores.
- The **BFSI industry is expected to prioritise long-term gains by improving its CX** through CXM outsourcing contracts with a duration of around 4–5 years.
- The **travel and hospitality industry will focus on achieving a competitive edge through its CX investments during seasonal peaks**. The industry is expected to spend between INR 40,000 to INR 80,000 per contact centre agent/month during the peak seasons.³

India CXM outsourcing market (in INR crore)



Source: Analyst reports, PwC research

¹ <https://economictimes.indiatimes.com/news/economy/indicators/data-correction-indias-per-capita-disposable-income-put-at-2-14-l/articleshow/108147382.cms?from=mdr>

² PwC research and analyst reports

³ PwC research and analyst reports

CX requirements of businesses: What do leaders say?

“Due to the large transactional volumes in the FinTech space, we prefer low full-time equivalent (FTE) prices offered by small-scale CXM service providers due to their ability to deliver from tier 2 and 3 cities.”

“With the insurance sector being a customer-centric sales-driven business, CXM services are an investment for us to make considerable sales and facilitate operational efficiency and digitisation.”

“We require a flexible delivery model from our CXM services partner, which ensures cost-effectiveness for a seasonal industry like aviation.”

“The hospitality industry prefers a CXM services provider that displays significant ramp-up capabilities and delivers a tangible business impact on its sales.”

“We expect our CXM partner to display relevant industry expertise and provide solutions while having the service provider leadership as a proactive participant to assist us in our CX transformation projects.”

“For implementing emerging technologies like GenAI in the customer-facing operations in banks, we would prefer our CXM services partner to take complete ownership contractually for the ease of implementation and managing operations.”

Our report is based on a CXM services survey conducted by PwC for the Indian domestic market. We have gathered requirements around CX services from multiple enterprises across the aforementioned industry verticals, including insights from CIOs, CTOs, CX leaders, customer success managers and sales teams of various CXM service providers. Based on the survey findings and PwC network's experience, we have compiled a list of priority requirements for enterprises that are industry-agnostic from their CXM service providers.



There has been a phenomenal interest in developing solutions by CXM service providers which offer an incremental digital containment along with lucrative pricing options suitable for the client's business cycles.”

- Aditya Rao, Partner - TMT Consulting, PwC India

In focus

Based on our findings from the CXM services outsourcing market survey in India, we have identified and prioritised some requirements of CXM service buyers across various sectors and strategy providers in the Indian domestic market.

A. Improving automation and digital touchpoints for customer interactions using transformative technologies with the intent to optimise CX budgets in the long term

How are CXM service providers responding?

CXM service providers are integrating transformative services within their offerings, such as AI-driven chatbots and voice bots, at competitive prices to match the pricing of smaller CX solution providers.

What should CXM service providers look out for?

Competing with the lean operational model of smaller CXM service providers, and considering the clients' unwillingness to bear the costs of technologies and financial risks, can pose significant challenges for large CXM service providers. This would require CX service providers to develop output- /outcome-based pricing models like 'pay per use' models used by technology service providers.

B. Outsourcing additional areas of the business model to CXM service providers who offer solutions for resolving industry-specific pain points and act as a significant partner in terms of risk sharing

How are CXM service providers responding?

CXM service providers are exploring ways to redefine their service portfolio, pricing models and go-to-market (GTM) strategies based on industry-specific insights and market intelligence.

What should CXM service providers look out for?

CXM service providers might face challenges in gathering industry-specific pain points and market intelligence to build a relevant service portfolio with the right pricing and GTM strategy for their clients. Additionally, they should ensure alignment between the delivery model, training methodology, FTE hiring strategy and pricing model to avoid potential revenue leakage.

C. Seeking expertise from CXM service partners, particularly from their vertical leadership and agents, to enhance process optimisation and customer satisfaction and enable faster one-stop resolution of customer queries

How are CXM service providers responding?

CXM service providers are building industry-specific teams to deliver value-added and management services.

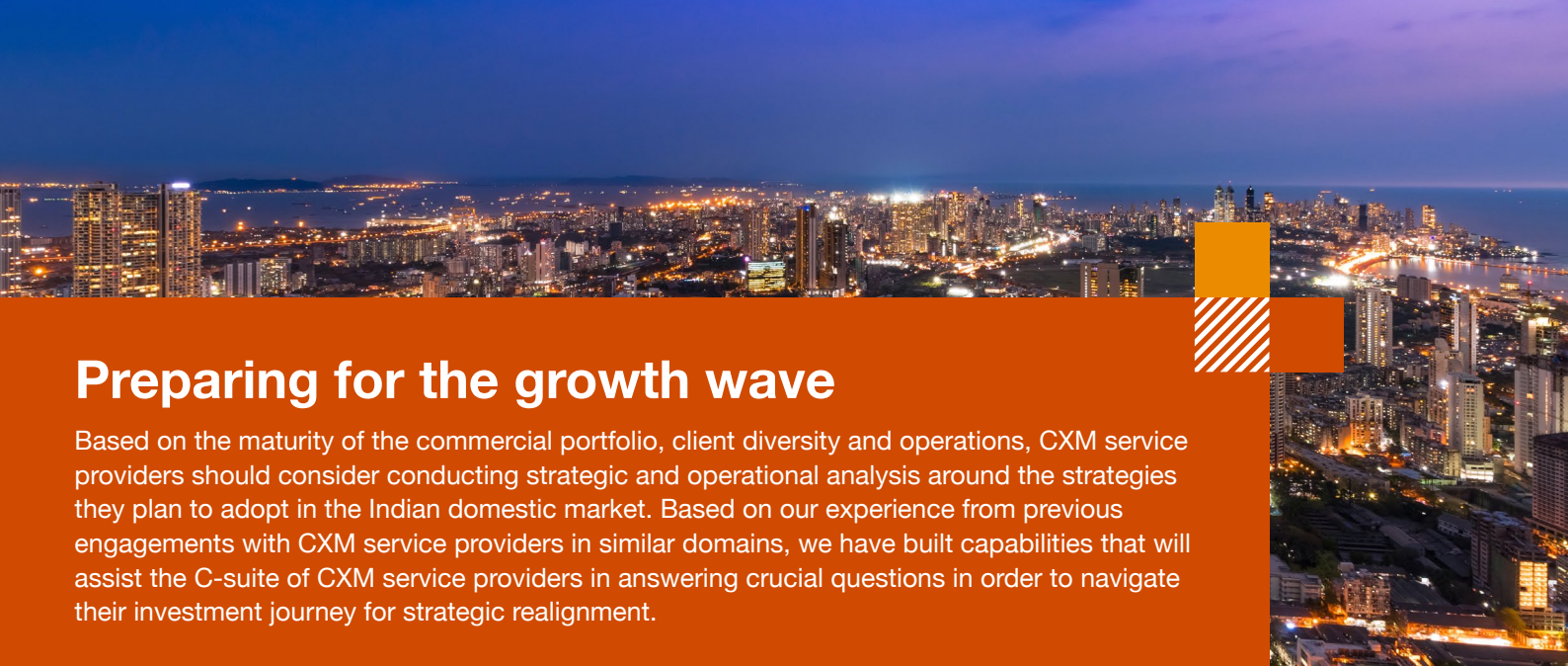
What should CXM service providers look out for?

Ineffective sales strategies and team structures can cause industry-specific teams to lose out on key deals in the market despite having the required expertise.



As outsourcing budgets grow and the need to optimise CX spending intensifies, CXM service providers must re-align their GTM strategies, revamp operating models and innovate solutions to expand and diversify across various industry verticals.

- Aditya Rao, Partner - TMT Consulting, PwC India



Preparing for the growth wave

Based on the maturity of the commercial portfolio, client diversity and operations, CXM service providers should consider conducting strategic and operational analysis around the strategies they plan to adopt in the Indian domestic market. Based on our experience from previous engagements with CXM service providers in similar domains, we have built capabilities that will assist the C-suite of CXM service providers in answering crucial questions in order to navigate their investment journey for strategic realignment.

How can we counter the lean operational model of the smaller CXM service providers and clients' unwillingness to bear the costs of technologies and financial risks around adopting transformative technologies?

Explore the right set of technology service companies to acquire/partner with, in order to leverage their lean operating model and market-ready skilled workforce to deliver services involving emerging technologies like GenAI, virtual reality and voice bots.

Develop the right set of **pricing models (i.e. output-/outcome-based) that will transfer the technology ownership costs from the client to the service providers**, which will get covered over a period based on the efficiencies achieved out of automation.

How do we facilitate the alignment of industry-specific market insights, delivery model, pricing and FTE hiring strategy?

Engage with a network of market subject matter experts (SMEs) and conduct client surveys to gather the most relevant insights from the industry around specific pain points and service requirements from the CXM service providers.

Conduct an **as-is review of operations, delivery model, training modules and hiring practices** to ensure margin optimisation from the adoption of new pricing models.

How do we ensure optimal traction with our client by utilising our industry-specific teams and service offerings?

Re-formulate the **GTM and sales strategy for focused account targeting** and effective communication with the client around service-specific capabilities and strengths.

The survey, conducted by our TMT Consulting team on the domestic CXM service market in India comprises a mix of secondary research and primary research, with insights from industry experts and PwC's internal network of CX leaders. The survey aspects are as below:

- Analysis of market reports from leading market analyst firms
- Gathering of primary research insights from surveys with SMEs within the CXM service industry across 30+ firms
- Gathering of insights from PwC's CX professionals across various sub-verticals like banking, insurance, FinTech, online travel agencies, aviation and hospitality groups.



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