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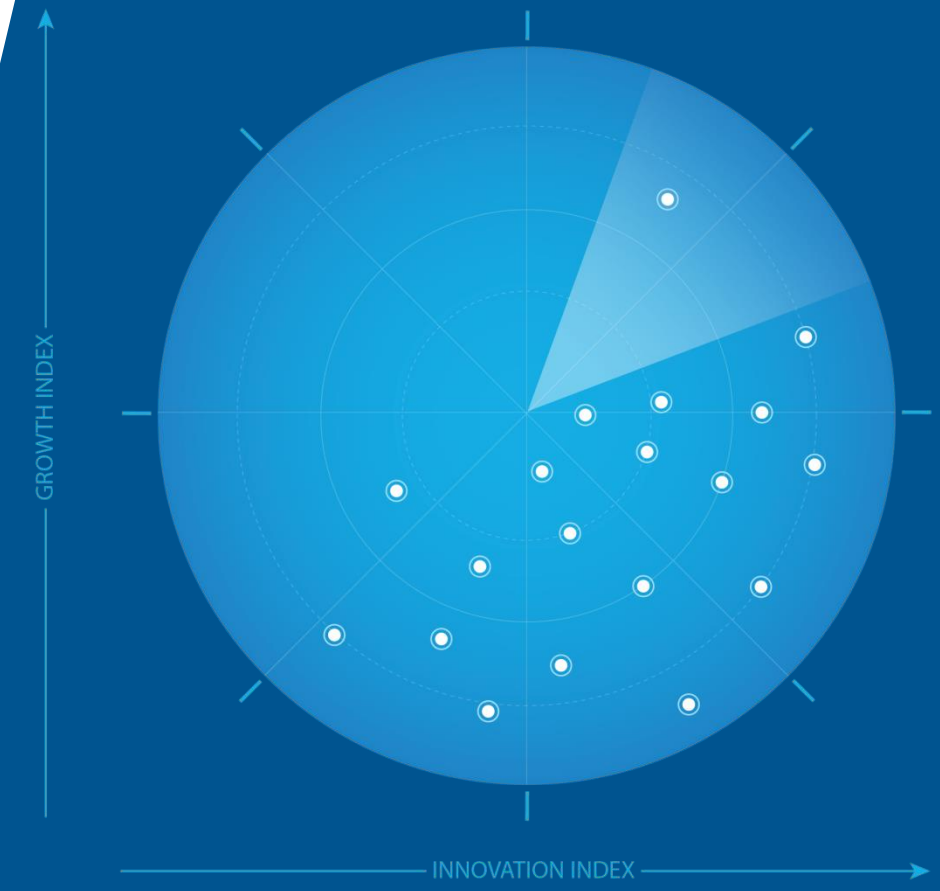
Frost Radar™: European Cloud Contact Center Market, 2023



A Benchmarking System to Spark Companies to Action—Innovation that Fuels New Deal Flow and Growth Pipelines

April 2023

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Strategic Imperative and Growth Environment

Strategic Imperative

- The European CCaaS market continues to mature, offering a viable replacement option for on-premises solutions. CCaaS brings enhanced technology, utility, and efficiency, allowing companies to more quickly deploy, scale, and adapt to contact center environments across the globe.
- With improving the customer experience (CX) key to any successful business strategy, cloud-based contact centers provide businesses with the necessary tools, scale, reach, and features to best achieve it.
- Hybrid work environments have proliferated, providing business agility and worker flexibility. Cloud-based contact centers are a key enabler of these flexible work environments.
- Global economic headwinds challenge businesses to be more financially disciplined. CCaaS providers must showcase CCaaS return on investment (ROI) models with predictable cost structures and lower capital expenditure (CAPEX) on equipment than more traditional on-premises solutions.
- Challenges with recruiting new talent for contact centers combined with more complex customer interactions will drive contact centers to adopt technology that deflects more routine interactions and provides more assistance to agents.
- Migration to the cloud for traditional contact centers can have varying paths, requiring CCaaS providers to be flexible and offer hybrid approaches that limit disruptions.

Source: Frost & Sullivan

Strategic Imperative (continued)

- Artificial intelligence (AI) innovation is enabling necessary features and functionality for a competitive contact center solution including conversational AI bots, integrated virtual assistants, and analytics, which all deliver tangible value for contact centers and end customers. It is rapidly evolving technology that is optimized for a cloud-based approach.
- Contact center decision makers demand innovation, creating the need for integration strategies that give customers the flexibility to deploy best-in-class applications and solutions from multiple vendors and in a multi-cloud environment. Leaders in the market are developing application programming interfaces (APIs) for integrating third-party applications, as well as application marketplaces.
- Frost & Sullivan research reveals that end-user organizations that operate contact centers are prioritizing employees and an engaging employee experience (EX). CCaaS providers must respond to this priority with effective and well-integrated workforce management (WFM) and workforce optimization (WFO) features across their platforms.
- European countries have a raft of varying regulations including the General Data Protection Regulation (GDPR), the Data Governance Act, and the Data Act that govern factors such as data sovereignty compliance and cybersecurity and can affect growth and innovation. CCaaS providers must effectively navigate these requirements to ensure success.
- Frost & Sullivan research reveals that European consumers have exceptionally high expectations in terms of data protection and that robust cybersecurity is an essential part of every company's CCaaS value proposition.

Source: Frost & Sullivan

Growth Environment

- European CCaaS market revenue reached €1.4 billion in 2022 and is forecasted to reach €1.6 billion in 2023. Revenue grew 21% in 2022, with increased sales in every region. The United Kingdom and France are the most important markets in terms of revenue, bringing in a combined 38% of the 2022 total.
- With €114 million in 2022, the Benelux region had the highest annual growth in Europe: 23%. The Nordics had the lowest 2022 growth rate of 16%, largely because of the region's already higher penetration rates.
- Europe ranks second in revenue globally at 30%, behind only North America at 58.5%. It also ranked second in terms of revenue growth in 2022. Its 20.5% was behind only Central and Latin America's growth rate of 28.7%.
- The United Kingdom is suffering some significant economic challenges, but that could open up additional opportunities as companies look favorably on lower CAPEX and the predictable cost structure present with CCaaS. NICE, Five9, Dialpad, and Cisco aim to be active in the country.
- France-based providers including Diabolocom Worldline, and Odigo are leveraging the strength of the French CCaaS market for additional expansion throughout Europe.
- CCaaS penetration varies across Europe. Nordic-based providers including Telia ACE, LeadDesk, and Puzzel have contributed to a higher penetration of CCaaS in the Nordic region, presenting growth challenges for operators that are not based there. In contrast, the DACH region (Germany, Austria, and Switzerland) is less penetrated, providing significant growth opportunities. Enghouse, Genesys, and AKIO are among those eyeing Germany as a growth engine.

Source: Frost & Sullivan

Growth Environment (continued)

- The Benelux region is one of the fastest growing in Europe, with Puzzel, Bright Patternand Content Guru making significant inroads.
- The Iberian peninsula is a strategic market for both the growth opportunity in Europe and its role in driving business in Latin America. CCaaS providers inConcert and Five9 are having success leveraging this dynamic for global growth.
- Unified communications (UC) momentum in Europe makes UC integration a key driver for growth, compelling CCaaS operators to adopt a UC strategy, with Microsoft Teams integration increasingly important. CCaaS providers including 8x8, Cisco, Dialpad, Vonage, and RingCentral are positioning their own UCaaS integration as competitive differentiators.

Source: Frost & Sullivan

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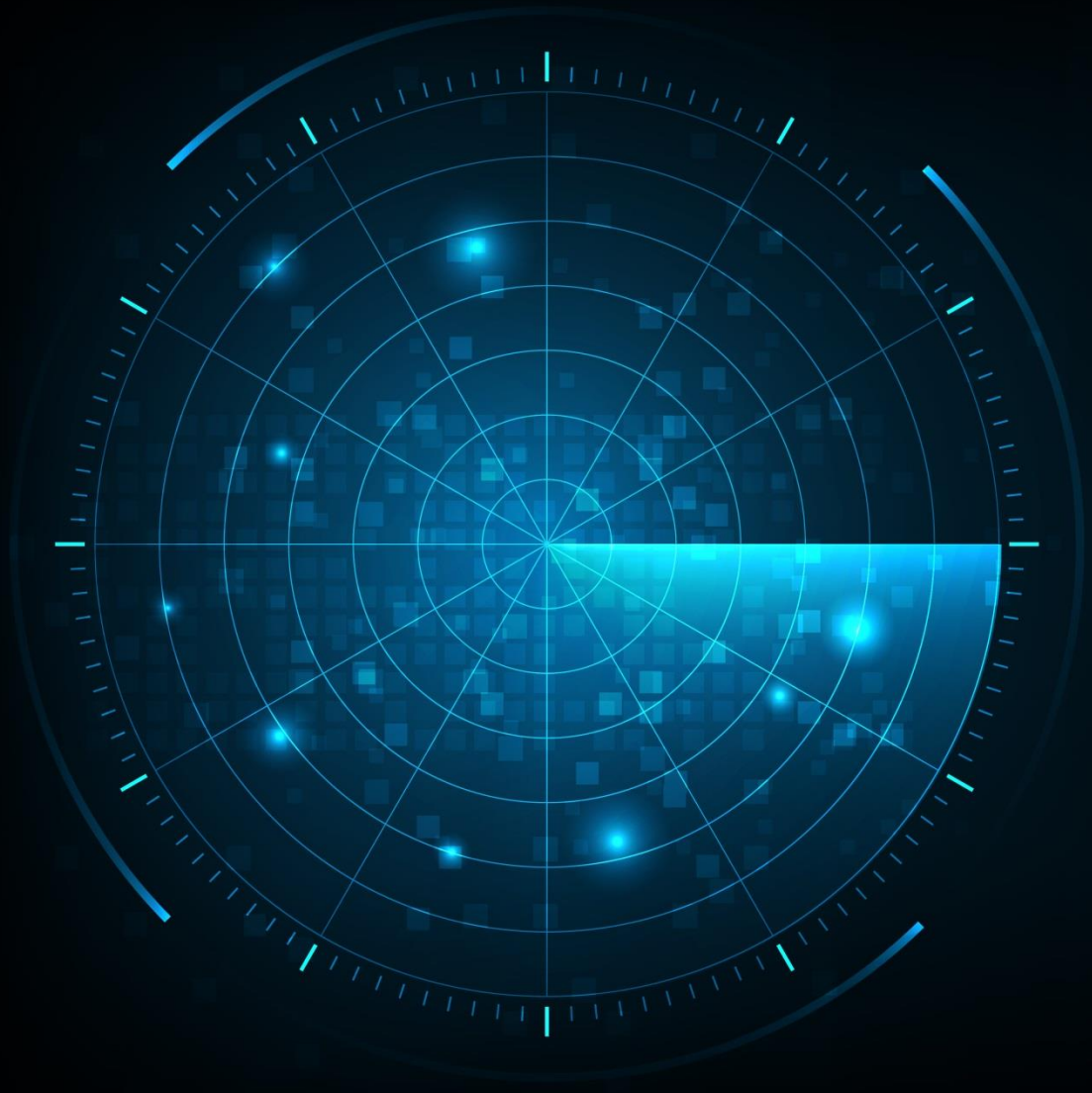

Frost Radar™

European Cloud Contact Center Market, 2023

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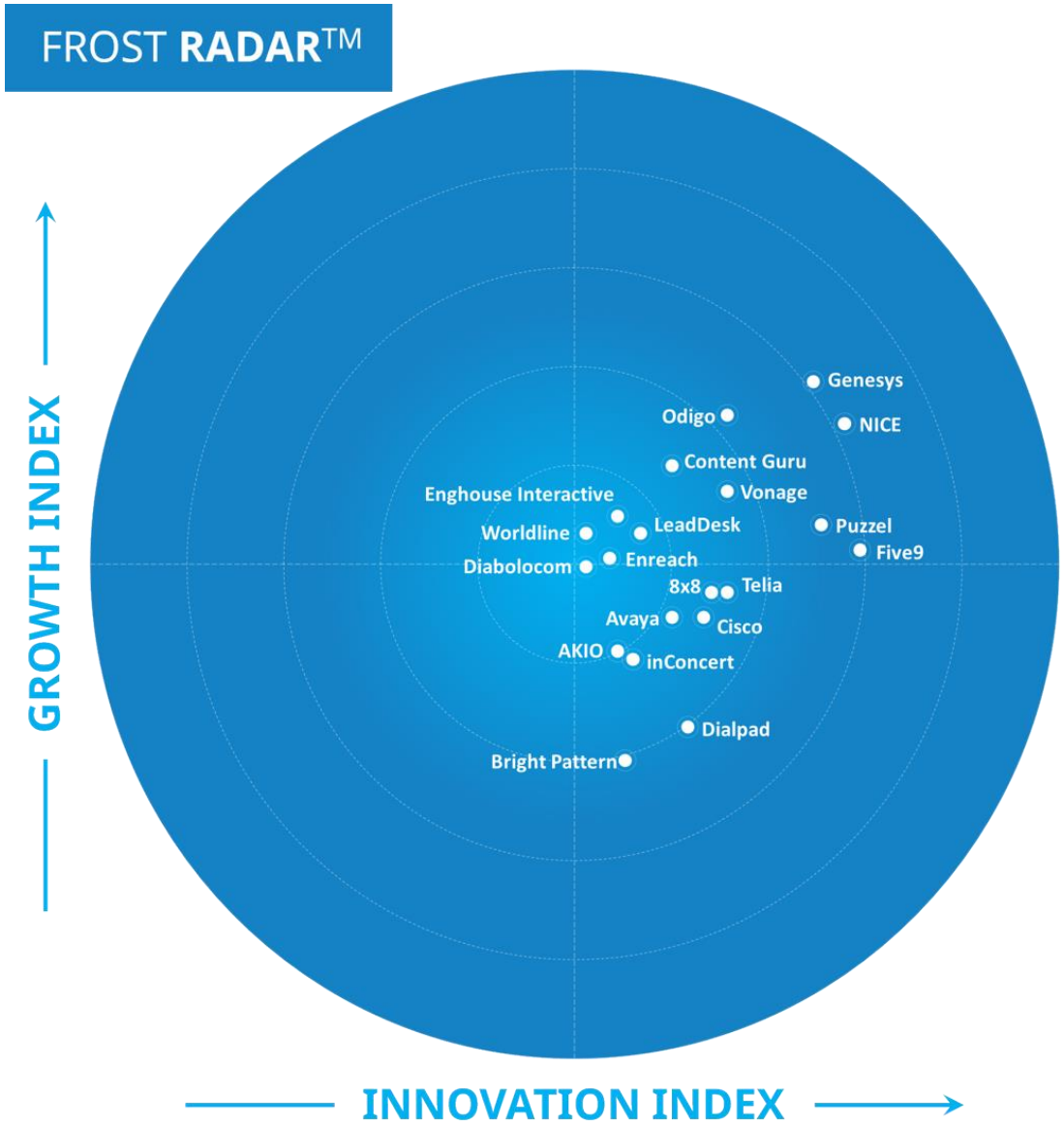

Source: Frost & Sullivan

Frost Radar™: Competitive Environment

- Europe is a fragmented market with intense competition that pits large global players against a combination of pan- European operators and small, nimble, niche providers with limited reach.
- This environment is ripe for consolidation, and Frost & Sullivan expects heightened merger and acquisition (M&A) activity as firms look to add scale, capabilities, and market share to better compete. The ongoing integration of CCaaS and UCaaS is likely to contribute to M&A activity.
- The European CCaaS market has undergone many changes over the last few years and experienced strong growth, with four parallel and complementary trends:
  - An increasing desire to replace legacy, on-premises solutions with advanced, cloud-based platforms, albeit with differing replacement life cycles across the small business, mid-market, and enterprise segments.
  - Strength of home-grown, pan-European CCaaS providers and the competitive implications it brings.
  - The growing influence of a communications platform as-a-service (CPaaS) approach that invites new players into the market including 8x8, Dialpad, and Vonage.
  - The addition of cloud-based platforms from traditional providers such as Genesys, Avaya, and Cisco.
- Europe has unique regional and country-specific requirements that vary widely across the continent and are driven by culture, language, business practices, and technology adoption rates, requiring CCaaS providers to adapt accordingly.
- European CCaaS market share leader Odigo, based in France but with pan-European reach, represents the strength and impact of home- grown European operators that leverage their knowledge and understanding of Europe's unique conditions for a competitive advantage.

Source: Frost & Sullivan

Frost Radar™: Competitive Environment (continued)

- The Growth and Innovation leaders on the Frost Radar™ met key criteria such as longevity of the offering in Europe, consistent and increasing growth, strong go-to-market strategies, robust customer support, a commitment to local market presence, and investments in vital transformative technologies, such as incorporating AI across platforms.
- Those on the lower right of the Frost Radar™ innovated in crucial areas at above-market rates with solid product roadmaps (but not at the pace and breadth of the upper tier) and either were newer to the European market with less relative growth or sales were concentrated in one or a few countries, on a single product/solution, or both.
- With so many competitors, it is increasingly difficult to stand out from the crowd, so local presence either directly or through a strong channel partner network is an important success factor.
- Over the last two years, vendors of all sizes have focused on expanding deployment options (public [AWS, Azure, IBM, Google Cloud]; private; and hybrid cloud) and adopting a micro-services architecture to provide new functionalities more quickly.
- In a field of more than 100 industry participants in Europe, Frost & Sullivan independently plotted the top 20 companies in this Frost Radar™ analysis: 8x8, AKIO, Avaya, Bright Pattern, Cisco, Content Guru, Diabolocom, Dialpad, Enghouse Interactive, Enreach, Five9, Genesys, inConcert, LeadDesk, NICE, Odigo, Puzzel, Telia ACE, Vonage, and Worldline. Hosted and managed call center services are not part of this analysis.

Source: Frost & Sullivan

Frost Radar™: Competitive Environment (continued)

- Companies profiled in the Frost Radar™ have registered consistent growth with a strong focus on innovation. All Frost Radar™ participants:
  - Have a prominent position in the market.
  - Have an omnichannel approach including chat and web collaboration, email, and social channels.
  - Leverage advanced technologies including AI.
  - Run customer satisfaction surveys on a semi-annual or quarterly basis.
- Besides voice-call routing in the cloud, these providers might have core competencies in other areas:
  - WFO and workforce engagement management (WEM).
  - Use of AI to enhance self-service channels and applications.
  - Native integration with leading customer relationship management (CRM) platforms.
- This Frost Radar™ measures growth rates in addition to revenues and combines them with several other factors to measure companies' performance along the Growth Axis.

Source: Frost & Sullivan

Significance of Being on the Frost Radar™

Companies plotted on the Frost Radar™ are the leaders in the industry for growth, innovation, or both. They are instrumental in advancing the industry into the future.

GROWTH POTENTIAL

Your organization has significant future growth potential, which makes it a Company to Action.

BEST PRACTICES

Your organization is well positioned to shape Growth Pipeline™ best practices in your industry.

COMPETITIVE INTENSITY

Your organization is one of the key drivers of competitive intensity in the growth environment.

CUSTOMER VALUE

Your organization has demonstrated the ability to significantly enhance its customer value proposition.

PARTNER POTENTIAL

Your organization is top of mind for customers, investors, value chain partners, and future talent as a significant value provider.

Source: Frost & Sullivan

Companies to Action: Odigo

INNOVATION

- With a core strength of omnichannel orchestration, Odigo offers a native-cloud, full-service CCaaS platform with reach into more than 100 countries.
- Odigo has built an open ecosystem around its platform with APIs and connectors to best-in-class CRM, WFO/WFM, AI, and UC solutions.
- The company launched Odigo Connect in 2022, an ecosystem marketplace for third-party applications. More than 40 partners have joined the marketplace offering a range of applications, including AI solutions, to strengthen Odigo's CCaaS capabilities.
- Odigo is innovating its platform for scale and reach beyond the traditional contact center to connect and utilize subject matter expert employees throughout the enterprise in the pursuit of a better CX.

GROWTH

- By market share, Odigo is the leading cloud contact center provider in Europe and consistently achieves annual CCaaS seat growth rates of between 15% and 20%.
- Odigo is active across much of Europe and sees the United Kingdom as one of its fastest-growing markets, particularly in the government sector.
- Odigo targets large enterprise clients. Its key verticals include financial services, government, transportation, retail, and utilities.
- Odigo recently transitioned from direct sales to more of a partner go-to-market strategy. Partners include large-scale technology integrators and specialized contact center resellers with local and regional reach.
- In 2022, Odigo inked a deal with large-scale global integrator Pega System. Odigo is the first independent software vendor partner registered on Pega Market Place.

FROST PERSPECTIVE

- With a cloud-first tradition for the contact center, Odigo continues its market leadership in Europe for CCaaS operators. As more enterprises continue the transition to the cloud for contact centers, Odigo is well positioned to help them.
- Odigo is complementing its market-leading CCaaS platform with a range of professional and implementation services, CX consulting, and support services.
- Odigo is developing and innovating its core contact center technology and relying on strategic integration partners for AI, UC, WFM, and CRM applications. To strengthen this strategy, Odigo should work to expand its marketplace of third-party applications.

Source: Frost & Sullivan

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Strategic Insights

Strategic Insights

1

While the ongoing digital transformation movement is a key underlying factor for cloud contact center adoption, the pace of this adoption can vary. Small and mid-market firms are more apt to take a cloud-first approach while large enterprises have a longer, multi-step cloud adoption journey. CCaaS operators must recognize these realities and develop growth and innovation strategies to maximize all opportunities.

2

Contact center decision makers still prioritize the delivery of a great CX through their operations, but the importance of a great EX is now the number-one focus. A great CX is unachievable in a poor EX environment. Consequently, CCaaS operators need to double down on WFO, WFM, and agent assist features that can dramatically improve the daily work experience of agents, supervisors, and managers.

3

Innovation has never been more important to the cloud contact center ecosystem because we are in the midst of transformation driven by AI. Generative AI and large language models being developed from the likes of OpenAI, Google, and Meta are democratizing the ability to leverage AI for tremendous business advantage. CCaaS operators who recognize this transformational moment and invest properly in AI innovation position themselves to thrive in a rapidly changing cloud contact center business climate.

Source: Frost & Sullivan

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Frost Radar™ Analytics

Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

VERTICAL AXIS

Growth Index (GI) is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline™ system; and effective market, competitor, and end-user focused sales and marketing strategies.

GROWTH INDEX ELEMENTS

- **GI1: MARKET SHARE (PREVIOUS 3 YEARS)**
  This is a comparison of a company's market share relative to its competitors in a given market space for the previous 3 years.
- **GI2: REVENUE GROWTH (PREVIOUS 3 YEARS)**
  This is a look at a company's revenue growth rate for the previous 3 years in the market/industry/category that forms the context for the given Frost Radar™.
- **GI3: GROWTH PIPELINE™**
  This is an evaluation of the strength and leverage of a company's growth pipeline™ system to continuously capture, analyze, and prioritize its universe of growth opportunities.
- **GI4: VISION AND STRATEGY**
  This is an assessment of how well a company's growth strategy is aligned with its vision. Are the investments that a company is making in new products and markets consistent with the stated vision?
- **GI5: SALES AND MARKETING**
  This is a measure of the effectiveness of a company's sales and marketing efforts in helping it drive demand and achieve its growth objectives.

Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

HORIZONTAL AXIS

Innovation Index (II) is a measure of a company's ability to develop products/services/solutions (with a clear understanding of disruptive Mega Trends) that are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs.

INNOVATION INDEX ELEMENTS

- **II1: INNOVATION SCALABILITY**
  This determines whether an organization's innovations are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.
- **II2: RESEARCH AND DEVELOPMENT**
  This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.
- **II3: PRODUCT PORTFOLIO**
  This is a measure of a company's product portfolio, focusing on the relative contribution of new products to its annual revenue.
- **II4: MEGA TRENDS LEVERAGE**
  This is an assessment of a company's proactive leverage of evolving, long-term opportunities and new business models, as the foundation of its innovation pipeline. An explanation of Mega Trends can be found here.
- **II5: CUSTOMER ALIGNMENT**
  This evaluates the applicability of a company's products/services/solutions to current and potential customers, as well as how its innovation strategy is influenced by evolving customer needs.

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