ISG Provider Lens™

ISG Star of Excellence™ — 2nd Quarter 2024 CX Insights

A quarterly report on enterprise CX trends across technologies

GLOBAL | 2024 ISG STAR OF EXCELLENCE™ Q2 CX INSIGHTS REPORT | AUGUST 2024

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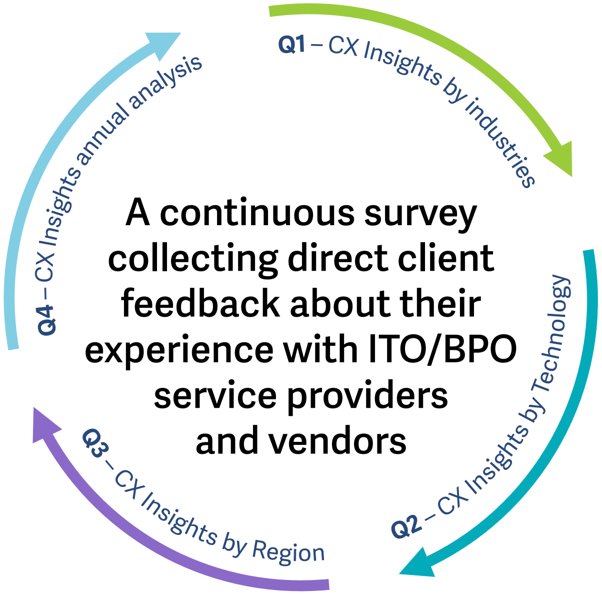
ISG Star of Excellence™ CX Insights

The ISG Star of Excellence CX Insights reports provide a periodic analysis of trends defining the enterprise customer experience with their technology and managed service providers. These reports quantify enterprise customer satisfaction for key pillars defining the experience with technology and managed service providers. The CX Insights reports highlight the variations in this experience from different regions and industries' perspectives. The quarterly reports also provide a year-over-year change analysis in enterprise CX along with the factors influencing it.

This report focuses on trends in enterprise CX for different services provided by information technology outsourcing (ITO) and business process outsourcing (BPO) providers.

We hope you find the observations in this report interesting and valuable. We welcome your feedback.



Q1 2024 CX Insights by Industries

Q3 2023 CX Insights by Regions

2023 Annual CX Insights

Q2 2023 CX Insights by Technology

What defines Enterprise CX?

ISG has identified six pillars that define enterprise CX in the ITO/BPO services and technology industry.

Six categories of customer experience:

- Clients are asked to rate the importance of each of the six categories and then rate their service provider/vendor on each, on a scale of 1-100
- CX scores are generated across industries, regions and technology domains and for each service provider/vendor

1. Business Continuity and Flexibility
   - Ensuring limited downtime in systems or services provided
   - Avoiding friction while transitioning
   - Adapting to changes in demand due to macroeconomic and global factors
2. Execution and Delivery
   - Executing plans and projects on time
   - Providing the agreed resources to deliver services
   - Maintaining high-quality work consistently
3. Governance and Compliance
   - Ensuring compliance with policies and regulations
   - Engaging proactively in issue resolution
   - Taking effective measures for cybersecurity
4. Collaboration and Transparency
   - Defining the handoffs/milestones between provider and client staff
   - Communicating information around projects, workload and timelines
   - Accepting constructive criticism or suggestions for improvement
5. People and Cultural Fit
   - Adapting to a client's working culture
   - Understanding a client's business and industry
   - Adapting delivery to meet a client's business objectives
6. Innovation and Thought Leadership
   - Supporting end-to-end processes, supplier monitoring and ESG reporting
   - Demonstrating new methods of work, techniques and tools
   - Adopting emerging technologies and fostering their widespread use

CX Highlights Q2 2024

The Q2 CX Insights report reveals the customer satisfaction score for technologies across IT outsourcing contracts. Based on the ISG Star of Excellence™ survey, ISG observes the variation in CX influenced by how niche a technology is, the complexity of its implementation, benefits realized, talent availability and the proactiveness of the ecosystem vendors. In 2024, outsourcing deals for technologies with AI and automation are leading the charge, primarily for improved efficiency and cost savings. However, the CX scores of these technologies are not as high as other technologies.

Among the four technology segments, BPO secured the highest CX score, followed by ITO and Ecosystem. Emerging Technology obtained has the lowest CX score.

In the BPO segment, Marketing Technology scored the highest, while supply chain services scored the lowest. With increasingly dynamic consumer demands globally, enterprises must leverage marketing technologies to differentiate themselves, while providers must use them to deliver better CX. The supply chain segment is riddled with challenges due to fluctuating demand supply and a difficult macro-environment.

ADM has the highest CX score in the ITO segment, while Mainframes has the lowest. ADM deals have focused on cost-effective transformations, with the savings fueling newer transformations. Mainframes is an older technology than others and the expertise and talent available across regions have been a perennial challenge.

Average **Enterprise CX average**

71.5

Highest enterprise CX: 76

Lowest enterprise CX: 68.3

Category	2024 Q2	Highest CX Score Technology	Lowest CX Score Technology
ITO	71.6	Application Development and Maintenance	Mainframes
BPO	72.9	Marketing Technology	Supply Chain Services
Emerging Technology	70.1	Cloud Native (Containers/ Serverless Architecture)	Generative AI
Ecosystem	70.7	Microsoft	VMware

Source: ISG Star of Excellence Survey, N=1,110

CX Highlights Q2 2024

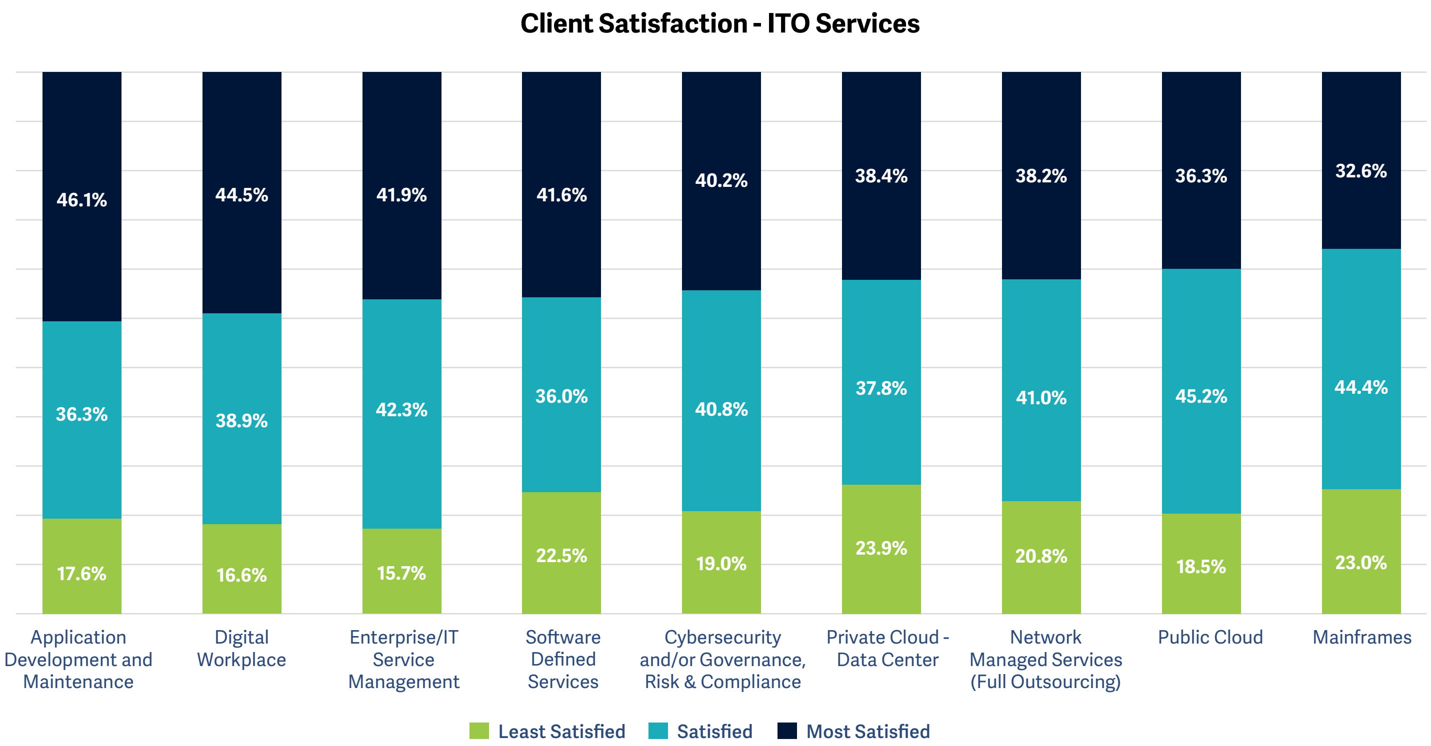
Cloud-native secured the highest CX score in Emerging Technology owing to an increase in the adoption of cloud-native application development outsourcing. Generative AI (GenAI), the most hyped technology of the year, received the lowest score in the same segment. In the Ecosystem segment, Microsoft obtained the highest CX score while VMware scored the lowest. Microsoft's high score can be attributed to its Copilot's wide deployment in enterprises across multiple industries. VMware caused customers discontent with its acquisition and changing pricing plans.

With the recent global outages, CX has become crucial for enterprises when considering outsourcing partners.

Major Findings and Customer Insights

Customer satisfaction scores vary across outsourced technologies. The ISG Star of Excellence™ survey shows high satisfaction with technologies such as ADM and Digital Workplace in the ITO segment and Procurement BPO and Contact Center — Customer Experience across the BPO segment. The graph compares the percentage of respondents most and least satisfied (high and low CX scores, respectively) with their service providers in each technology category.

ITO technologies, such as Mainframes and Cloud, have fewer satisfied clients than ADM and Cybersecurity. Mainframe modernization faces minimal resource availability, limited providers offering expertise and a limited scope of innovation. ADM is increasingly adopting app development across engineering services and leveraging AI/GenAI across the ADM lifecycle. The importance of Cybersecurity's importance has risen due to increased AI use, global outages and data governance and security needs.

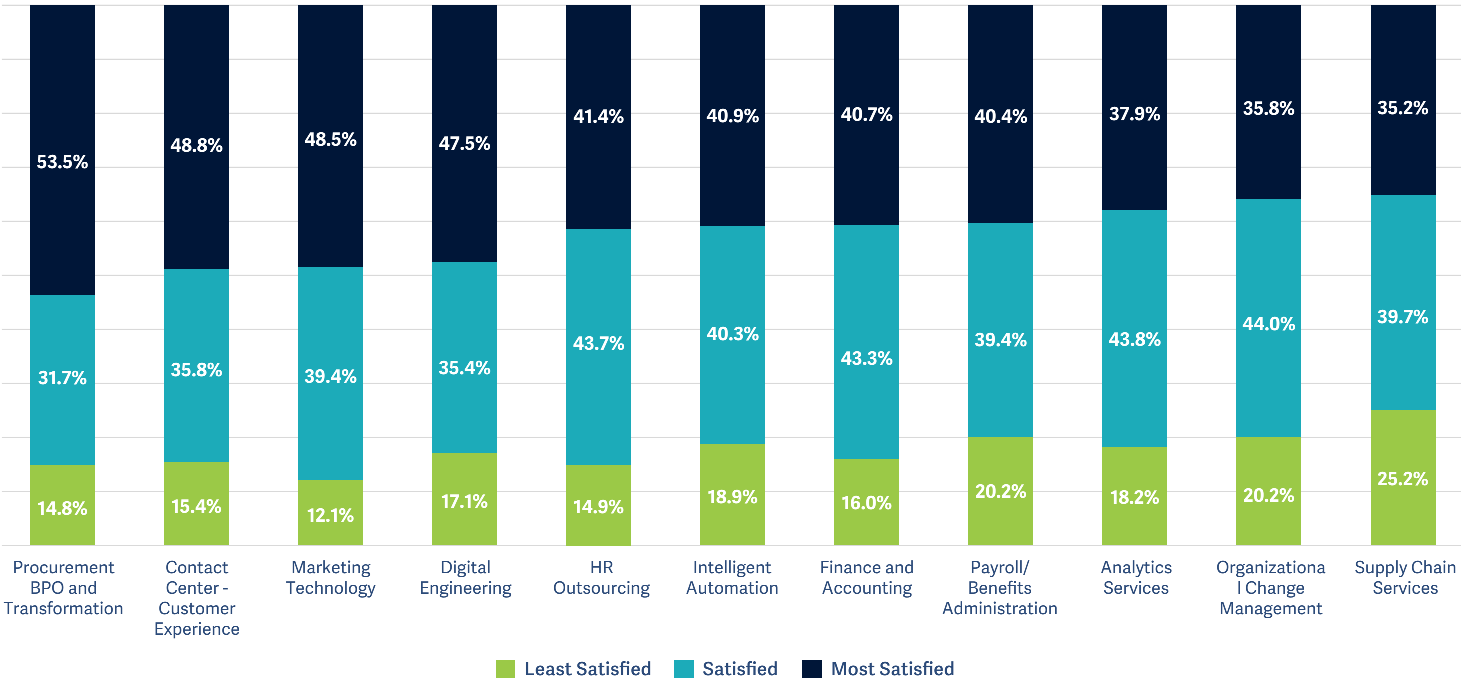


Source: ISG Star of Excellence Survey

Within the BPO segment, Procurement BPO and Transformation have the most satisfied respondents. Modernization in enterprise procurement entails embracing technologies, data-driven decision-making and a strategic approach to procurement to progress beyond cost reduction. The differences between BPO and digital transformation services in procurement have narrowed as technologies once used for business transformation are now integrated into BPO and platform combinations.

Supply Chain Services have fewer satisfied clients across the BPO segment. Supply chain turbulences have continued to disrupt the usual services across industries and the decreasing focus on sustainability across the industry has impacted the outsourcing services in this segment. Typically, these changes across the supply chain deter customer satisfaction.

Client Satisfaction - BPO Services



Source: ISG Star of Excellence Survey

Enterprise CX Scores by Technologies

Q2 CX Insights for technology show lower than their respective average scores for cloud and cybersecurity, while ADM, contact center and digital engineering scored above the averages. Enterprise clients expect improved time to market, faster issue resolution and better operational efficiency.

When taking a closer look at some key technologies with widespread adoption across ITO, ADM scored the highest and Private Cloud — Data Center scored the lowest. ISG Provider Lens™ (IPL) Study for Private Hybrid Cloud covers the changing industry dynamics and trends across this segment. The overall ITO average across select technologies is lower than average, indicating that service providers must focus on improving the experience while delivering technology services. Most enterprises are unsure of the impact of these select technologies on their technology road map and expect service providers to provide insights into their IT landscape. Security has become a major concern for enterprises as they seek options to implement AI and regulations, particularly due to recent global outages. IPL Study for Cybersecurity highlights these changing trends and their impact on enterprises.

In the BPO segment, Analytics Services obtained a lower CX score than average among the select BPO technologies, while Procurement BPO and Transformation scored higher than average among the select BPO technologies. IPL Study for Procurement BPO and Transformation highlights the six disruptive developments, including the rise of AI and strategic sourcing. AI use has boosted efficiency, reduced errors and allowed procurement teams to focus on strategic initiatives. Therefore, providers should build road maps and adopt standardized approaches to align and leverage enterprise data and analytics for the effective implementation of GenAI applications.

ITO Average	71.6
Application Development and Maintenance	↑
Private Cloud - Data Center	↓
Public Cloud	↓
Cybersecurity and/or Governance, Risk & Compliance	↓
Digital Workplace	↑
Enterprise/ IT Service Management	↑
(Industrial) Internet of Things	↑
Mainframes	↓
Networking - Software Defined Services	↓
Networking - Managed Services (Full Outsourcing)	↓

BPO Average	72.9
Contact Center - Customer Experience	↑
Digital Engineering	↑
Finance and Accounting	↑
HR Outsourcing	↑
Analytics Services	↓
Intelligent Automation	↓
Marketing Technology	↑
Organizational Change Management	↓
Payroll/ Benefits Administration	↓
Procurement BPO and Transformation	↑
Supply Chain Services	↓

Source: ISG Star of Excellence Survey

Technology CX insights across regions — ITO

Despite a weak outsourcing environment, CX scores in the ITO segments vary little by region. Asia Pacific's (APAC) higher CX score can be attributed to significant workplace changes and support needs and a stronger focus on ADM services. Mainframes scored lower than other technologies due to older technology and minimal available resources.

The IPL report for the ADM study in the U.S. indicates increased outsourcing for application development and managed services. The 2024 study focuses on efficiencies achieved through AI-enabled ADM services. ADM obtained a high CX score in the Americas, indicating high client satisfaction for ADM services. The Digital Workplace segment is witnessing an increased proliferation of products and launches based on AI. These developments largely influence enterprises' workplace technology buying decisions, as the provider must have the expertise to deliver these new advancements. In APAC, Digital Workplace has evolved to become experience-led, persona-based and industry-specific, leading to high CX scores. In Europe, the Middle East and Africa (EMEA), ESG and sustainability requirements are gaining importance.

The IPL report for the Mainframes study for the U.S. mentions a growing momentum for mainframe modernization, with an increased vendor focus on M&A. In Australia, the IPL Study for Private Cloud indicates a highly competitive market, regionally and globally. High competition could also lead to lower CX scores than other technologies. Traditionally, the Mainframes segment has had difficulty achieving the desired outcomes, leading to lower CX scores across regions.

Technology/Regions - ITO	AMERICAS	EMEA	APAC
Application Development and Maintenance	74.5	74.4	76.1
Private Cloud - Data Center	69.2	68.9	72.4
Public Cloud	71.9	70.4	73.7
Cybersecurity and/or Governance, Risk & Compliance	73.4	72.1	73.9
Digital Workplace	74.0	75.6	76.4
Enterprise/ IT Service Management	73.2	72.8	74.3
Mainframes	68.8	68.9	69.8
Networking - Software Defined Services	71.0	69.1	73.3
Networking - Managed Services	71.5	71.0	69.8
ITO Average CX Score	**73.9**	**72.8**	**75.1**

Source: ISG Star of Excellence Survey

Technology CX Insights across regions — BPO

Overall, BPO outsourcing trends have shown a downward run, with an increase in Engineering and R&D (ER&D) and a high decrease in customer engagement and finance and accounting segments. Despite this, CX scores remain above average in digital engineering, contact center and finance and accounting. Organizational Change Management (OCM) and the supply chain continue to struggle, scoring lower in CX. Enterprises are addressing global changes by ramping up OCM efforts and focusing on scalable platform-driven solutions.

Modernization of procurement operations and digital transformation are becoming a critical need for most enterprises. This segment has scored high in CX across regions. [IPL Study for Procurement] indicates that enterprise procurement leaders typically need assistance in developing and implementing two areas of procurement strategy: technology adoption strategy and data management strategy. Technology adoption strategy can involve incremental upgrades with point solutions, low-code platforms or overall platform transformation to integrate all functionalities and streamline workflows uniformly. Data management strategy includes the uniform delivery of core intelligence within procurement and across key finance, supply chain and production organizations.

Across other technologies, the scores vary by region. For example, Contact Center — Customer Experience has high scores in APAC, preceded by Procurement BPO. Its scores in the Americas and EMEA are lower than the regions' top scorers. A similar pattern is observed for HR Outsourcing and Supply Chain Services. The other technologies have varying scores across regions.

Technology/Regions - BPO	AMERICAS	EMEA	APAC
Contact Center - Customer Experience	74.3	75.3	78.4
Digital Engineering	74.9	74.9	74.2
Finance and Accounting	75.1	75.5	74.9
HR Outsourcing	75.4	73.3	78.8
Analytics Services	70.5	69.8	73.9
Intelligent Automation	71.9	69.7	74.2
Marketing Technology	73.3	76.9	73.3
Organizational Change Management	69.9	69.0	71.2
Payroll/ Benefits Administration	73.6	70.2	75.5
Procurement BPO and Transformation	76.2	78.5	79.1
Supply Chain Services	70.2	69.6	71.9
BPO Average CX Score	**73.2**	**73.0**	**75.0**

Source: ISG Star of Excellence Survey

Technology CX Insights by Industries

Healthcare and Power and Utilities have emerged as top scorers across ITO, BPO, Emerging Technology and Ecosystem segments. Within ITO, Public Cloud in Power and Utilities secured the top CX score. In the Ecosystem segment, AWS scored the highest in Power and Utilities. Utility firms face unique challenges in adopting cloud-based solutions. They have not realized the full potential of data as they are yet to address issues around access to data, data insights, data governance and quality and cross-functional analytics. Service providers are helping firms realize their cloud investments by creating transformational assets comprising cloud subscriptions and transformation services supported by regulatory review and approval.

Industries	ITO	BPO	Emerging Technology	Ecosystem
Business Services	75.3	73.8	71.4	70.5
Consumer Packaged Goods	73.8	69.6	72.9	73.3
Financial Services	69.1	70.1	69.5	68.9
Healthcare	75.1	78.4	74.0	72.9
Insurance	62.9	70.9	61.9	64.4
Manufacturing	73.1	73.8	70.7	74.4
Oil And Gas	71.5	72.0	68.0	65.4
Pharmaceuticals And Life Sciences	66.8	73.2	67.6	66.8
Power And Utilities	76.7	78.5	73.3	78.4
Public Sector	73.1	74.8	69.5	75.4
Retail	71.1	71.5	72.2	69.7
Telecom And Media	67.9	72.9	66.1	65.8
Travel, Transportation And Leisure	68.7	70.5	65.7	65.9
Highest Cx Scoring Technology	**Public Cloud in Power and Utilities**	**Payroll/Benefits Administration in Healthcare**	**Distributed Cloud Edge in Healthcare**	**AWS in Power and Utilities**

Source: ISG Star of Excellence Survey

In BPO and Emerging Technology, Healthcare has emerged as a top scorer. Payroll/Benefits Administration in BPO and Distributed Cloud Edge in Emerging Technology are the top scorers for Healthcare. The healthcare payer digital space is undergoing a notable surge in transformation, propelled by several key factors. While a key driver is the increasing demand for streamlined processes and improved operational efficiencies, organizations seeking to effectively navigate the complexities of the healthcare landscape are also enablers. Technological advancements and the growing prevalence of data-driven decision-making contribute significantly to fostering a shift toward modernized systems. The Healthcare industry has secured higher CX scores than other industries.

Among other industries, Insurance and Financial Services have the lowest CX scores, indicating client dissatisfaction across these industries.

CX Star Performer – A global winner for each IPL Study

Providers with the highest CX scores for each service line at the end of each ISG Provider Lens™ report research cycle will be recognized as CX Star Performers. The announcement will take place as part of the sneak previews of all IPL studies.

Note: Responses submitted for each service line will remain valid for one year until the next ISG Provider Lens™ report refresh cycle.

Criteria:

- Minimum five responses for the respective service line
- The highest CX scorer wins the award for the respective IPL Study

CX Star Performers

IPL Study 2024	CX Star Performer
Cybersecurity	Zensar Technologies
eMobility	HCLTech
Google Cloud Partner Ecosystem	Genpact
Life Sciences Digital Services	Cognizant
Network — Software Defined Services and Solutions	Tech Mahindra
Private/Hybrid Cloud - Data Center Services	Green

ISG Industry classification

- Business services (includes business services and supplies, software and services)
- Energy (chemicals, oil and gas operations and utilities)
- Financial services (banking, diversified financials)
- Insurance
- Healthcare (healthcare equipment and services)
- Pharmaceuticals and life sciences
- Retail (food markets)
- Telecom and media
- Consumer packaged goods (food and beverage and tobacco, household and personal products)
- Travel, transportation, and leisure (hotels and restaurants)
- Public sector
- Manufacturing (aerospace and defense, consumer durables, which includes automotive, capital goods, conglomerates, construction, materials, semiconductors, hardware, and trading companies)

Technology coverage in ISG Star of Excellence™

ITO Services

- Application Development and Maintenance Services
- Digital Workplace
- Cybersecurity and Governance, Risk & Compliance
- Enterprise/IT Service Management
- Industrial IoT (IIoT)
- Mainframes
- Networking - Software Defined
- Private Cloud - Data Center
- Public Cloud services

BPO Services

- Contact Center - Customer Experience
- Digital Engineering
- Finance and Accounting
- Procurement BPO and Transformation
- Supply Chain Services
- HR Outsourcing
- Payroll/ Benefits Administration
- Organizational Change Management
- Analytics Services
- Intelligent Automation

Technology Provider Ecosystem Services

- AWS
- Google
- Microsoft
- Oracle
- Salesforce
- SAP
- ServiceNow
- Workday

Author

Akhila Harinarayan
Manager and Principal Analyst

Akhila Harinarayan is Manager and Principal Analyst and the lead author for ISG Provider Lens studies with a focus on ADM and SAP Services. She has more than 15 years of experience across research and consulting including provider strategy, enterprise strategy, industry roadmaps, point-ofview papers, service provider assessment across regions. She has strong expertise on strategy and transformation, digital insights, thought leadership, benchmarking, market assessments and go-to-market strategies.

She has authored many thought leadership papers, digital insight studies, devised go-to-market strategies across products/industries/regions, built frameworks and maturity models across industries for both enterprises, vendors and service providers.

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Kiran works as a Data Analyst and has a professional experience of 7+ years. He has pursued master's in Computer Vision and has worked in multiple fields such as IT and Hospitality. He has worked on market segmentation, customer segmentation and derived insights from customer data and had used it to generate additional revenue. He is passionate about research and interested in advanced exploratory data analysis using ML algorithms. He has also worked on data science projects such as 'Time Series Forecasting' and 'Natural Language Processing' using Neural Networks.

He is currently responsible for data insights derivation and task automation using Python.

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Heiko Henkes is a Director and Principal Analyst at ISG; in his role as Global ISG Provider Lens™ (IPL) Content Lead and Program Manager, he is responsible for strategic business management and acts as thought leader for IPL Lead Analysts. In his role as ISG Star of Excellence™ Product Owner, he leads the program design and IPL integration. His core competencies are in the areas of defining derivations for all types of companies within their IT-based business model transformation.

Within this context, Mr. Henkes supports companies to undergo continuous transformation, combining IT competencies with sustainable business strategies and change management. He acts as Keynote speaker in the context of digital innovation.

About Our Company & Research

ISG Provider Lens™ Star of Excellence

The ISG Star of Excellence™, part of the ISG Provider Lens™, is the premier industry recognition program for the technology and services industry. The program solicits client experience information through an ongoing survey. The independent survey seeks an in-depth analysis of clients' satisfaction and experience with IT/BPO service and technology providers. Providers are ranked on the quality of their services based on direct feedback from enterprise clients. Clients rate the provider's performance across six CX pillars: Business Continuity and Flexibility, Collaboration and Transparency, Execution and Delivery, Governance and Compliance, Innovation and Thought Leadership, and People and Cultural fit.

ISG Research™

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ISG

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Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,600 digital-ready professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data.

For more information, visit isg-one.com.

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