NEAT EVALUATION FOR TECH MAHINDRA:

CX Services in Retail & CPG

Market Segment: Overall

Introduction

This is a custom report for Tech Mahindra presenting the findings of the NelsonHall NEAT vendor evaluation for *CX Services in Retail & CPG* in the *Overall* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of Tech Mahindra for CX services in retail & CPG, and the latest market analysis summary for CX services in retail & CPG.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering customer experience (CX) services in the retail & CPG sector. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with a specific focus on cost optimization, revenue generation, and CX improvement.

Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Alorica, Capita, Comdata, CSS Corp, HGS, Sitel, StarTek, Sutherland, SYKES, Tech Mahindra, Teleperformance, Transcom, VXI Global Solutions, Webhelp, and Wipro.

Further explanation of the NEAT methodology is included at the end of the report.

NEAT Evaluation: CX Services in Retail & CPG (Overall)
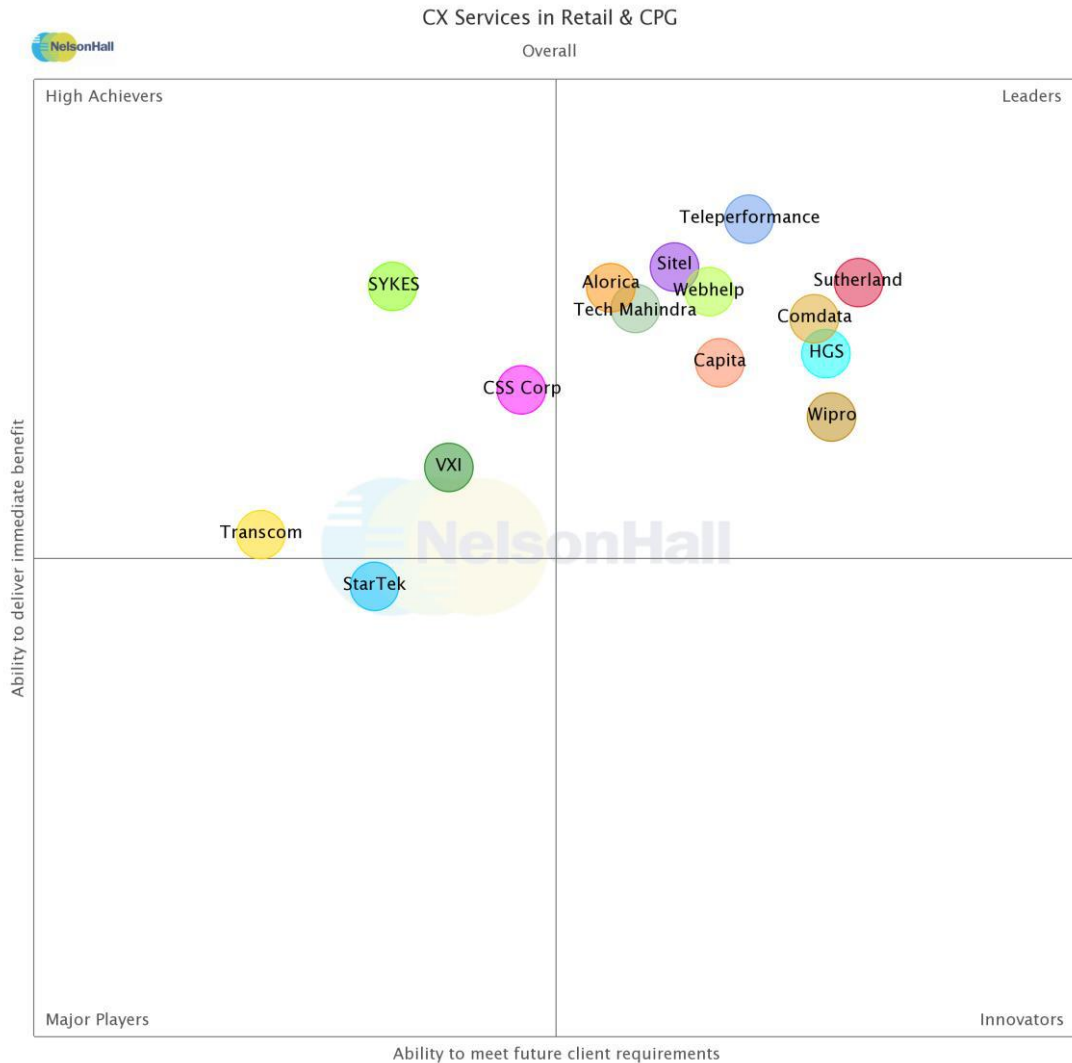
NelsonHall has identified Tech Mahindra as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects Tech Mahindra's overall ability to meet future client requirements as well as delivering immediate benefits to CX services clients in the retail & CPG sector.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements.

Buy-side organizations can access the CX Services in Retail & CPG NEAT tool (Overall) *here.*

Vendor Analysis Summary for Tech Mahindra

Overview

Tech Mahindra Business Process Services (TechM BPS) is the BPS arm of Tech Mahindra, a $4.9bn company part of Mahindra Group. TechM BPS provides CX services, enterprise back-office such as source to pay, F&A, benefits admin, packaging, and labeling, application development and integration, and service desk. CX services is the largest business line forming ~70% of the BPS business.

In retail and CPG, TechM BPS provides customer care, technical support and service desk, retail back-office services, billing, order management and fulfillment, social media services, new customer acquisition, cross-sales and upselling, loyalty management, and returns. It also offers marketing, consulting, and analytics services. Its offerings across the sector value-chain also include assortment planning, merchandise planning, sales forecasts, KPI measurement, spend analysis, procure-to-pay, catalog, pricing, and assortment management.

TechM BPS has ~47k employees in 25 delivery centers in 12 countries, including ~2k people supporting the retail and CPG sectors in ~30 languages.

The company began supporting the sector in 2002 and today has B2C and B2B clients in six sub-segments including e-tailers, sports manufacturers, apparel retailers, supermarkets and hyper markets, specialty retailers such as eyewear and sports equipment manufacturers, mail order catalog retailers, digital wallet companies, and CPG manufacturers. It supports end-user customers in the U.S., U.K. and Ireland, Germany, Nordics, Australia, and India.

TechM BPS has a toolset of proprietary platforms for omnichannel management, social media engagement, RPA, chatbots, customer-facing automation, and supply chain accelerators. The company has deployed ~6k robots.

Through its agency The BIO Agency, the company offers service and product consulting, research, UX, web, and mobile design, CX consulting, and digital strategy.

Financials

NelsonHall estimates TechM BPS' revenues for CY 2019 to be $470m, of which CX services for the retail and CPG sectors is approximately $30m.

Strengths

- Significant experience in seasonal and peak support with multishore examples
- Dedicated analytics models with sector client examples across several processes such as sentiment analytics and fraud management
- Experience in personalization and customization with retail clients
- Investments in customer-facing automation through strategic partnership and IP.

Challenges

- Lacks examples in emerging channels support such as digital voice assistants or video chat

- Lacks WAH model for seasonal and peak support

- Can integrate more actively the design and UX capability.

Strategic Direction

For the retail and CPG sectors, TechM BPS positions its CX services as brand-centric and engaging experience enabled by analytics and automation. The core tenets are invisible and proactive service management, self-service, and personalized assisted services. TechM BPS is now bringing the core areas in active discussions during the QBRs with existing sector clients, where it analyzes customer feedback and pain points in the customer journeys to propose the infusion of technology.

The company is investing in descriptive and predictive analytics models for customer churn and the likelihood of purchase and is developing frameworks for orchestrating the customer journey. In self-service, it is bringing together a consolidated offering covering its tools and implementations in IVR, web and mobile apps, and chatbots. The majority of these deployments are in other verticals such as telecom and banking, and the company is now in conversations with retail clients to utilize these self-service capabilities. Next, it aims to embed assisted services within self-service environments. A target area is click-to-call, with a current project with a retail client to manage demand peaks.

Increasingly, retail clients are looking for automation and customer-facing chatbots to improve the customer experience and lower costs and additional services to manage the end-to-end experience. TechM BPS is addressing these needs in the operations through its UNO platforms and tools in projects such as desktop unification for the big box U.S. retailer. In customer-facing bots, it is now working with an eyewear manufacturer to introduce Avaamo chatbots for online orders. Other projects include a 2019 launch of support to delivery drivers and couriers with product replacement, directions, and address changes with the U.S. etailer and marketplace client for the India market. It traces orders, coordinates with the internal departments, verifying products and shipping address, and identifying replacement items.

To meet the client requirements for increased personalization and additional operational and CX insights, TechM BPS is working on matching agent skills to customer contact drivers. For example, for a sports apparel brand, it is building a database of the agents' aptitude and knowledge of various sports and routing to them customer interactions based on contextual information such as browsing and purchasing history. It targets analytics interventions to improve NPS and feed its BPS Recommendation Engine.

On the back of its fraud analytics work, the provider is now identifying other areas to apply analytics at the category level for the same client. It is discussing with consumer goods clients opportunities to develop similar fraud analytics models. For its sentiment analytics, the company plans to make it more real-time to assist agents with direct responses during live interactions and develop the capability for French.

The company is also working on enhancing the online shopping experience. An example project is introducing visualization for the eyewear brand.

While its collections services are in other verticals, TechM BPS now has projects in the pipeline to provide the service to CPG and retail clients.

It is also planning on a pilot for work-at-home delivery in India, starting with non-retail verticals.

Outlook

On the back of its proactive push for automation and analytics-supported innovation in the telecom vertical, TechM BPS is now targeting retail clients. It is building proof points and case studies in the sector, focusing on its core areas of proactive service management, self-service, and personalization.

Look for an expansion of its sentiment analytics services with additional retail clients and new CPG examples for its fraud analytics capability and their eventual unification into the BPS Recommendation Engine platform.

Look for the first deployments of the Avaamo chatbots in the retail environment and additional deployments of UNO for back-office processes.

CX Services in Retail & CPG Market Summary

Buy-Side Dynamics

The key buy-side drivers for the adoption of CXS in Retail and CPG include requirements for the following:

- Customer experience improvement including increase of customer satisfaction, reduced customer effort, and process improvement

- Scalability and flexibility of staffing, as well as multilingual resources

- Cost reduction including through offshoring and nearshoring, delivery consolidation, operations improvement through process optimization and automation

- Expansion of new customer acquisition and additional sales revenue

- Improvement in cross-sell and up-sell

- Enhancement of retention and loyalty management services

- The introduction of digital channels and omnichannel support.

Market Size & Growth

The CX services market (excluding collections) in retail and CPG is ~12% of the global industry, at ~$8.8bn (2019). It is growing above the market average at ~7.0% CAAGR through 2023. U.S. is the biggest market at ~$2bn (~26% of the global market), followed by major European markets such as U.K., Germany, and France (7% each). The APAC region is the fastest growing, particularly China and India at double digits.

The market is expected to reach ~$11.6bn by 2023, growing at ~7.0% CAAGR (against a market average of 5.1%) fuelled by revenue generation activities.

Success Factors

Key success factors for organizations looking to outsource customer experience services in Retail and CPG are:

- Sales optimization where CX services vendors help to increase conversion, win greater share of wallet, drive up-sell and cross-sell, and lift revenue per interaction

- Next-level personalization of offerings, customization of the revenue generation process, and end-to-end customer journey management

- CX transformation where vendors have the E&U domain expertise, analytical experience, and consulting resource to deliver front and back-office integration

- Focus on customer satisfaction and reducing customer effort across the entire customer journey to differentiate and build loyalty

- Digital channels delivery where vendors have experience in identifying suitability and implementing digital channels using unified agent desktop

- Cost optimization where the vendors use multishoring, including work-at-home model and combine with back-office RPA and self-service to lower costs

- Analytics where vendors offer additional insights about the changing consumer shopping behaviour, VOC and feedback survey analysis across the full customer journey, and additional information regarding packaging, delivery, and post-sales support

- Automation where vendors use RPA, intelligent automation, and cognitive bots to enhance customer facing and back-office operations.

Challenges

Key challenges for organizations looking to outsource customer experience services in the sectors are:

- Customer ownership shared between marketing, sales, IT, supply chain and customer service operations, limiting comprehensive management of the customer journey

- Lack of organizational buy-in and leadership support to drive CX transformational initiatives

- Need for robust business cases to justify technology investment and operational transformation

- Short-term business objectives competing with required long term transformation initiatives

- Highly prescriptive RFPs, limiting upfront the opportunities for the vendor to be innovative

- Clients' initial investments in IT and infrastructure costs

- Fast changing customer preferences for on-demand availability, new channels and decreasing customer loyalty

- Unwillingness to commit to outcome-based commercial models

- Issues with cultural and language alignment of the nearshore/offshore centers

- Dependency on wider third-party network such as delivery and logistics companies.

Outlook

Over the next four years:

- Key client needs will be sales optimization and improvement of the customer experience through predictive analytics, self-service, omnichannel delivery, and integration of physical and digital environments

- Omnichannel maturity will increase with the adoption of mobile chat and messengers, self-service, and social media. Digital voice assistants will become a meaningful channel

- Digital channel activation, back-office automation, and development of predictive analytics will be part of overall CX transformation innovation initiatives including customer journey redesign and employment of remote technical support for connected devices and in-store employee support

- The main differentiators will be vendor capability to implement a unified CX transformation underpinned by cognitive models and technology

- Customer-facing cognitive chatbots will be widespread, back-office operations will have a very high degree of automation, and live agent support will focus on upsell and cross-sell

- Advanced search tools, 360-degree view of the customer, and NBA and recommendation tools will augment live agent interactions

- Up-front commitment by vendors for revenue uplift and sizable gainshare elements will be incorporated in most sector contracts.

NEAT Methodology for CX Services in Retail & CPG

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders**: vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements

- **High Achievers**: vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements

- **Innovators**: vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit

- **Major Players**: other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offerings	Range of customer experience services in Retail & CPG
	Customer experience improvement capability
	Revenue generation capability
	Cost optimization capability
	Digital transformation capability
Delivery	Scale of delivery capability for Retail & CPG
	North America
	EMEA
	APAC
	LATAM
	Digital channels enablement and support
	Application of operational analytics
	Application of predictive analytics
	Application of back office automation and RPA
	Application of customer facing automation
	Application of delivery models for staff scalability and flexibility
	Application of technology and models to enhance staff recruitment, training, management
	Application of advanced models for 'phygital' and experiential selling
	Digital transformation and consulting capability
Presence	Scale of client presence in retail sector
	Scale of client presence in CPG sector
Benefits Achieved	Level of customer experience improvement achieved
	Level of sales improvement achieved
	Level of cost savings achieved

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
CXS Investments in Retail & CPG	In development of customer satisfaction
	In development of revenue generation capability
	In development of analytics
	In development of digital channels
	In development of automation
	In development of 'phygital' and IoT support
	In development of end-to-end digital transformation
Perceived Future Suitability by CXS Clients	Perceived effectiveness in the application of customer experience improvement
	Perceived effectiveness in the application of revenue generation
	Perceived effectiveness in the application of cost optimization
	Mechanisms in place to deliver client innovation through analytics
	Mechanisms in place to deliver client innovation through automation & RPA
	Extent to which client perceives that innovation has been delivered
	Suitability of vendor to meet future needs of client
	Perceived suitability as key partner

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.

research.nelson-hall.com

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

Simon Rodd at simon.rodd@nelson-hall.com