ɪSG Provider Lens™

ISG Star of Excellence™ – Annual 2023 CX Insights

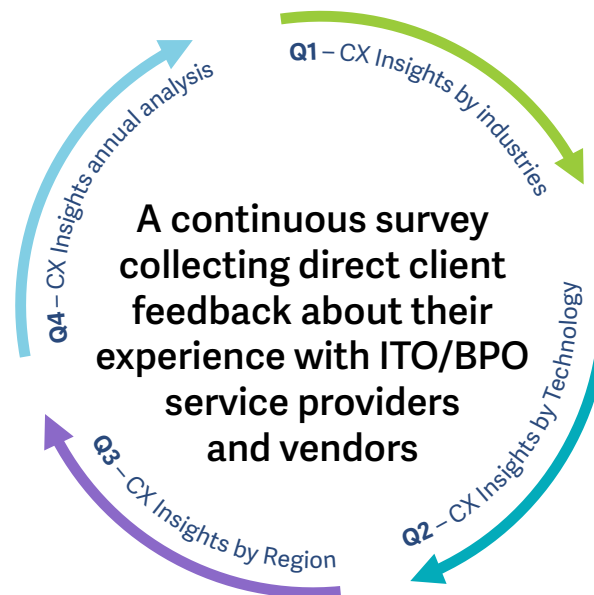Annual report on technology CX trends

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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.

A continuous survey collecting direct client feedback about their experience with ITO/BPO service providers and vendors

Q1 – CX Insights by industries
Q2 – CX Insights by Technology
Q3 – CX Insights by Region
Q4 – CX Insights annual analysis

Q3 2023 CX Insights by Regions

Q2 2023 CX Insights by Technology

Q1 2023 CX Insights by Industries

2022 Annual CX Insights

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

As average deal sizes decrease, there is a higher emphasis on enterprise customer experience (CX)

The ISG Star of Excellence CX Insights report analyzes enterprise customer experience (CX) scores for the providers and vendors offering ITO, BPO and as-a-service outsourcing services and solutions respectively. The average CX scores have been gradually increasing over the last two years, with scores for 2022 and 2023 reaching 80.1 and 83.7, respectively. The graph above indicates the gradually growing CX scores for the six categories assessed in the ISG Star of Excellence report.

The year 2023 has been challenging for the IT outsourcing market. While discretionary spending has been reduced, the focus on optimization has been high. Also, the heightened scrutiny across the IT spend and tightening of outsourcing deals have
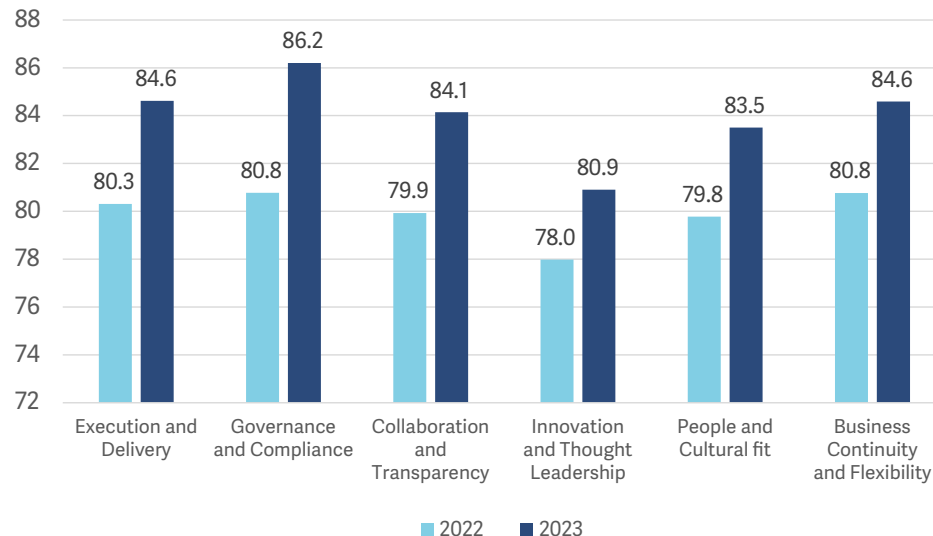
More focus on cost optimization and funding discretionary spend continues to be suppressed leading to increased focus on CX

ISG observes that CX scores increasing year-on-year Governance, compliance, business continuity: areas where providers excel

been driving providers/vendors to go above and beyond to deliver better CX for their clients. The CX scores by revenue segment clearly indicates the mid-market segment delivering higher customer satisfaction scores as compared to the other segments.

Providers that offer BPO services only have scored higher CX than other categories.

Enterprise CX Scores

Category	2022	2023
Execution and Delivery	80.3	84.6
Governance and Compliance	80.8	86.2
Collaboration and Transparency	79.9	84.1
Innovation and Thought Leadership	78.0	80.9
People and Cultural fit	79.8	83.5
Business Continuity and Flexibility	80.8	84.6

Source: ISG Star of Excellence Program 2023
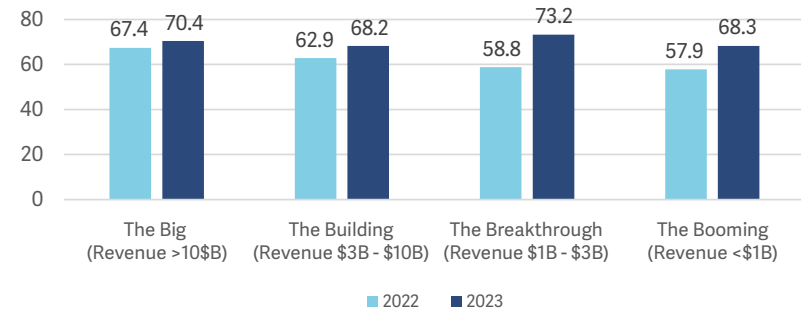
All the categories assessed for ISG Star of Excellence observe a year-on-year increase in CX scores. The highest increase has been for governance and compliance and execution and delivery, emphasizing the importance of these two categories for enterprise clients across the years. This is mainly because the outsourcing contracts of enterprise clients have been interrupted by various factors such as reduced discretionary spending, ambiguous demand scenarios and uncertain macro-environment.
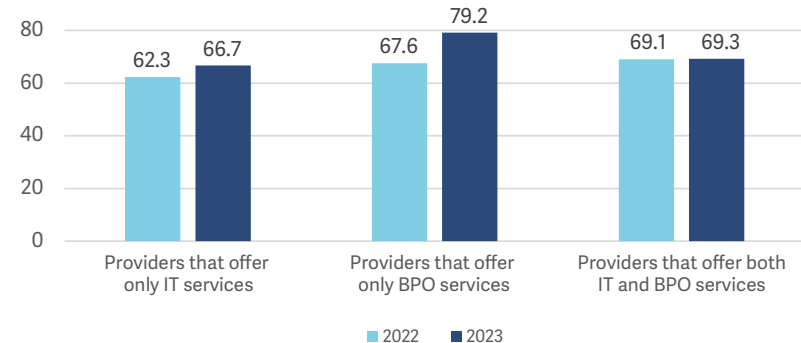
ISG Star of Excellence has captured the CX score for AI (77.6) this year. AI has become an integral part of the deal lifecycle for many enterprises and providers, spanning various use cases across enterprises and serving as a foundational technology for providers. According to ISG Index, enterprises willing to pay between 6% - 9% more per seat for AI features in software, depending on category.

Across the sub-categories, enterprises engage with providers that proactively resolve issues, ensuring limited downtime, and delivers agreed resources on time. With changes in hiring trends throughout the year, resources have been a perennial challenge for providers. However, some providers have secured high CX scores across these categories. In addition, enterprises appreciate providers that help them adhere to policies and guidelines across regions and industries. With the advent of AI regulations, this segment is only expected to gain more importance in the subsequent years.

CX Score of Providers by Revenue Segment

Revenue Segment	2022	2023
The Big (Revenue >10$B)	67.4	70.4
The Building (Revenue $3B - $10B)	62.9	68.2
The Breakthrough (Revenue $1B - $3B)	58.8	73.2
The Booming (Revenue <$1B)	57.9	68.3

■ 2022 ■ 2023

CX Scores for Service Providers

	2022	2023
Providers that offer only IT services	62.3	66.7
Providers that offer only BPO services	67.6	79.2
Providers that offer both IT and BPO services	69.1	69.3

■ 2022 ■ 2023

Major Findings & Customer Insights
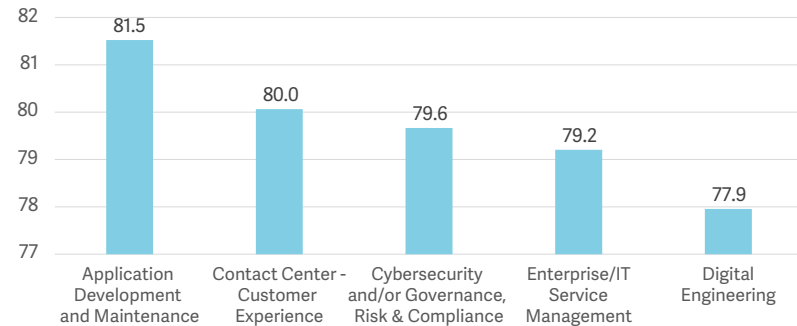
The top five technologies with high CX scorers out of 17 technologies are application development and maintenance; contact center — customer experience; cybersecurity and/or governance, risk and compliance; enterprise/IT service management; and digital engineering.
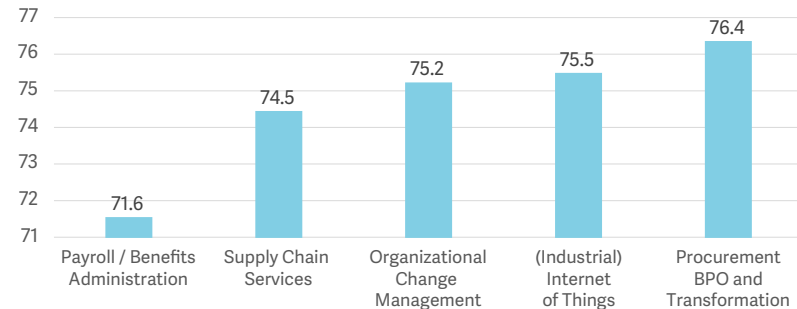
Application development and maintenance (ADM) has moved three spots ahead this year as compared to the previous year. Enterprise clients are increasingly considering ADM as an important lever to achieve their cost optimization goals and business objectives. This segment has been a major focus for service providers that concentrate on cloud-native application development and AI-based applications. According to the ISG Buyer Behavior Study, enterprise clients are increasingly seeking value for their outsourcing investments. The increased focus on ADM deals is also reflected through high CX scores captured by the ISG Star of Excellence program.

A close second is the CX score for Contact Center — Customer Experience. With the increased focus of enterprises on improving CX across their buyer segments and the constant pressure to reduce cost and discretionary spending, this technology segment has gained importance with a high CX score. The growing adoption of AI has led to an increased emphasis on adhering to governance and compliance requirements and addressing cybersecurity threats. Cybersecurity and/or governance, risk and compliance (GRC) has emerged among the top five technologies, with high enterprise CX scores. With new rules and regulations, enterprises are increasingly seeking providers that can help them through their AI journey. ISG observes that enterprises have been increasingly satisfied with providers offering cybersecurity- and/or GRC-related services.

Top 5 CX Scores - Technology

Technology	Score
Application Development and Maintenance	81.5
Contact Center - Customer Experience	80.0
Cybersecurity and/or Governance, Risk & Compliance	79.6
Enterprise/IT Service Management	79.2
Digital Engineering	77.9

Bottom 5 CX Scores - Technology

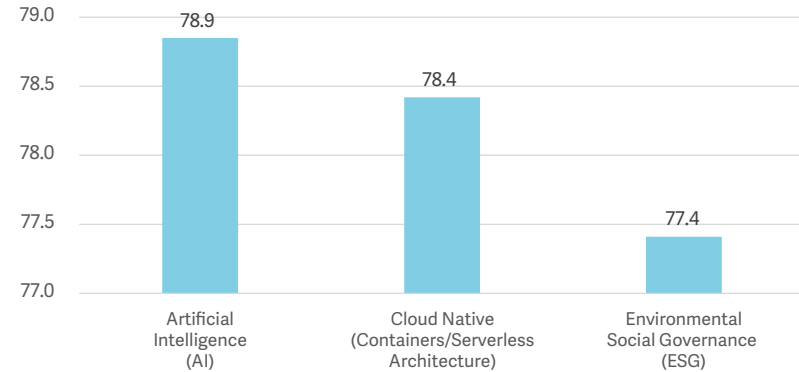| Technology	Score
Payroll / Benefits Administration	71.6
Supply Chain Services	74.5
Organizational Change Management	75.2
(Industrial) Internet of Things	75.5
Procurement BPO and Transformation	76.4

ISG observes increased adoption of AI in the enterprise/IT service management segment, and enterprises are highly satisfied with the services delivered by the providers in this segment. A massive surge in demand for digital engineering services has also been witnessed due to the convergence of emerging technologies. This segment is also one of the top five technologies with a high CX score, as providers have been able to delight their clients with effective service delivery, compliance and business continuity plans.

The bottom five technologies in 2023 by CX scores have been payroll/benefits administration, supply chain services, organizational change management, (industrial) Internet of Things, and procurement BPO and transformation. Enterprise clients are least satisfied with providers offering payroll/benefits administration services, primarily due to drastic changes in hiring trends and varying attrition rates. The supply chain
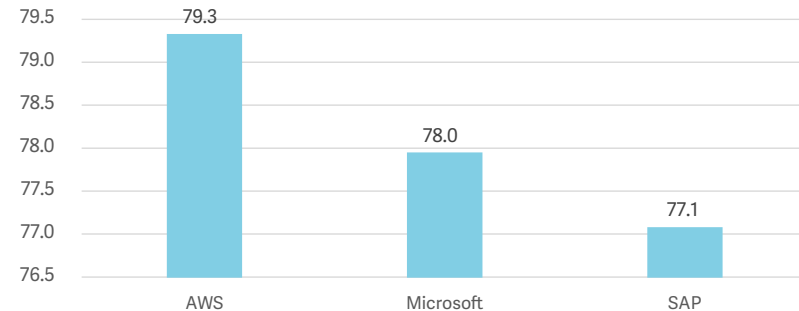
industry has been bearing the brunt of external factors leading to demand–supply disagreements in various regions. The low CX scores for supply chain services and procurement BPO and transformation indicate the inability of providers to meet clients' expectations. The year 2023 was unstable for many enterprises owing to the drastic changes implemented by the management, which led them to express dissatisfaction with organizational change management service providers. The CX score for (Industrial) Internet of Things has reduced from 78.3 (2022) to 75.5 (2023), pushing this technology segment from the top five to the bottom five in 2023.

Among the emerging technologies, AI has secured the top spot on the ISG Star of Excellence CX scores. The demand for AI technology has been high in 2023, albeit the hype, and ISG expects this trend to continue in 2024. With an increase in cloud-native applications and cloud migrations, enterprise customers have

Emerging Tech – Top 3 CX Score

Artificial Intelligence (AI)	Cloud Native (Containers/Serverless Architecture)	Environmental Social Governance (ESG)
78.9	78.4	77.4

Technology Vendors - Top 3 CX Scores

AWS	Microsoft	SAP
79.3	78.0	77.1

given better CX scores to providers in the cloud native segment, placing the segment in the second spot on the ISG Star of Excellence CX scores. The third position is captured by the environmental, social and governance (ESG) segment, indicating high satisfaction among clients for the services delivered by the providers in this segment, which is of course not a pure tech play.

In 2023, ISG Star of Excellence captured the CX scores for technology vendors. AWS leads the category, followed by Microsoft and SAP. There has been a rise in the adoption of AWS and Azure among clients. In addition, SAP's focus on cloud services and partnership with AWS and Microsoft Azure has led to an increase in outsourcing contracts over the last year. The high CX scores for these vendors across this category can be attributed to the adoption of cloud-based services, spanning various use cases across enterprises.
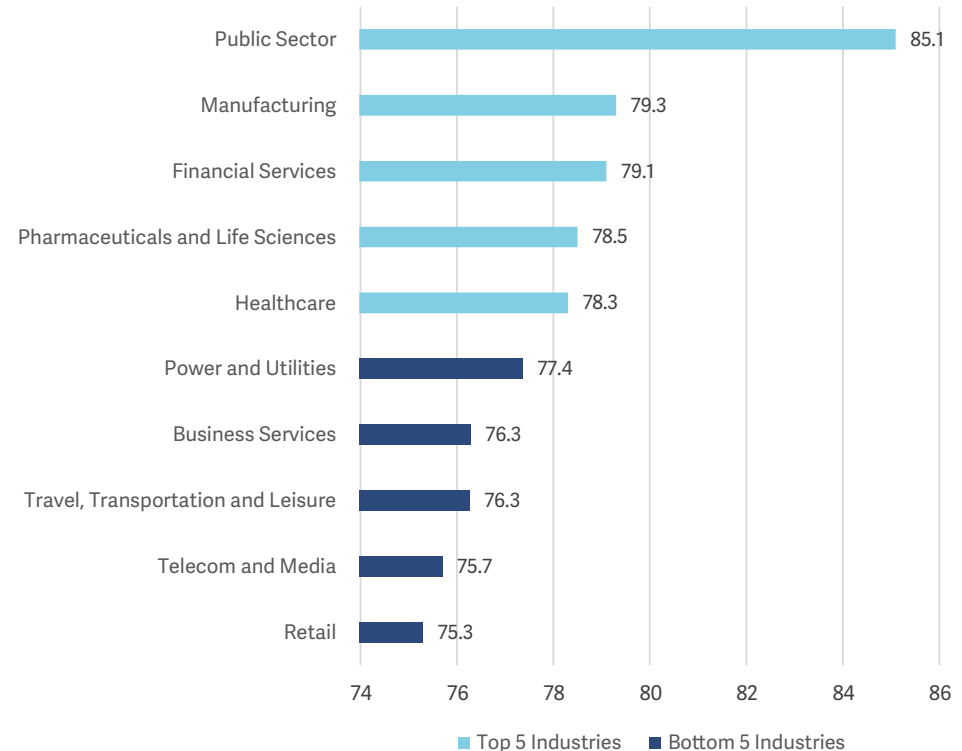
CX Insights by Industries

In 2023, the top five industries with high CX scores have been the public sector, manufacturing, financial services, pharmaceuticals and life sciences, and healthcare. There has been a major change in the CX score for the public sector when compared to the previous year. Enterprises have recognized providers' ability to comply with policies and regulations, proactively engage for issue resolution, and maintain effective cybersecurity measures across the industry.

For providers in the manufacturing industry, enterprises have given equal CX scores across all six categories of assessment. The importance scores given by clients for each of these categories have been similar, indicating providers' ability to deliver across all the six categories of assessment. The financial services industry saw a high CX score, as service providers ensured minimal downtime and regulatory compliance. The pharmaceuticals and life sciences and healthcare industries have secured high CX scores for governance and compliance and execution and delivery. While the pharmaceuticals and life sciences industry has a high score for business continuity and flexibility and collaboration and transparency, the healthcare industry has scored higher for innovation and thought leadership.

The bottom five industries in 2023 by CX scores have been power and utilities; business services; travel, transportation and leisure; telecom and media; and retail. The telecom and media industry witnessed a drastic change in the CX score as compared to the previous year, followed by the retail industry. The CX score of the telecom and media industry can be improved by adapting to external changes and providing agreed upon resources at stipulated timelines.
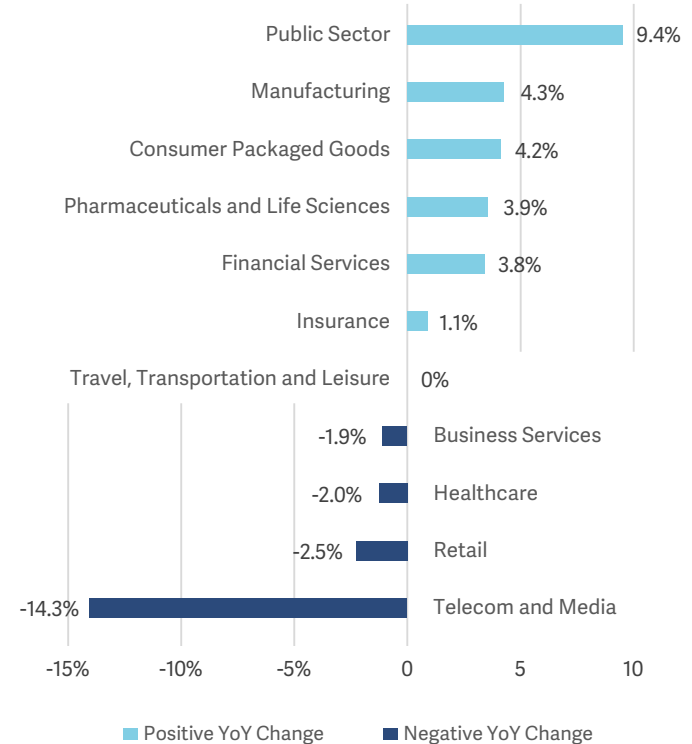
Top 5 and Bottom 5 Industries - CX Score

Industry	CX Score
Public Sector	85.1
Manufacturing	79.3
Financial Services	79.1
Pharmaceuticals and Life Sciences	78.5
Healthcare	78.3
Power and Utilities	77.4
Business Services	76.3
Travel, Transportation and Leisure	76.3
Telecom and Media	75.7
Retail	75.3

■ Top 5 Industries ■ Bottom 5 Industries

The retail industry providers could focus more on innovation and thought leadership, collaboration and transparency, and execution and delivery to achieve a good CX score. A similar trend prevails in the travel, transportation and leisure industry.

Providers in the business services industry should focus on supporting end-to-end processes and supplier monitoring as part of ESG reporting. In addition, they should concentrate on better communicating timelines and demonstrating new methods of working using advanced tools and techniques. In the power and utilities industry, providers should focus on better defining clear milestones and KPIs for transition.

Year over Year (YoY) Change - 2022 vs 2023

| Industry	YoY Change
Public Sector	9.4%
Manufacturing	4.3%
Consumer Packaged Goods	4.2%
Pharmaceuticals and Life Sciences	3.9%
Financial Services	3.8%
Insurance	1.1%
Travel, Transportation and Leisure	0%
Business Services	-1.9%
Healthcare	-2.0%
Retail	-2.5%
Telecom and Media	-14.3%

■ Positive YoY Change   ■ Negative YoY Change

CX Insights by Region

The Americas (77.9) scored the least as compared to EMEA (82.7) and APAC (78.3), with North America (78.9) scoring slightly higher than Central/South America (76.9). In North America, enterprises have given high CX scores for providers across governance and compliance and collaboration and transparency categories. The enterprises in this region have given high importance scores for execution and delivery and governance and compliance. North America, being one of the major markets, has a high response rate in 2023, and the enterprise clients appreciate providers for policy compliance, effective cybersecurity measures, proactive issue resolution and high quality of work. Across Central/South America, providers have received high CX scores for being receptive to constructive criticism and executing project plans on time. The enterprises in this region give high importance to execution and delivery.

However, the providers could focus on helping clients adapt to emerging technologies and their widespread use.

CX Scores by Region

Chart: CX Scores by Region — Americas: 77.9, EMEA: 82.7, APAC: 78.4
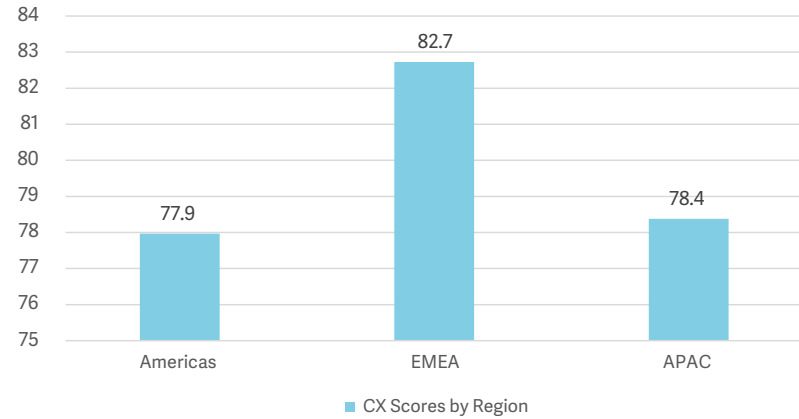
The ISG Star of Excellence Awards, part of the ISG Provider Lens™ research program, is the premier industry recognition program for the technology and business services industry. Providers are ranked on the quality of their services based on direct feedback from enterprise customers in the areas of 'Business Continuity and Flexibility,' 'Collaboration and Transparency,' 'Execution and Delivery,' 'Governance and Compliance,' 'Innovation and Thought Leadership' and 'People and Cultural Fit.'

Award Criteria: Eligibility criteria for ISG Star of Excellence™ Awards: Providers need to have a minimum of 30 percent of responses via independent sources (public survey link). In addition, each category has the following eligibility criteria. Previous Star of Excellence (SoE) CX Award Winners – 2022, 2021, 2020, 2019.

ISG Star of Excellence™ 2023 Overall Awards

Criteria:
- **Minimum 20 responses**
- **At least 30% response from independent source**
- **Above average overall CX score**
- **Customer response coverage across all regions, 75 percent industries and technologies**
- **Top three providers with highest CX scores win the award**

2023 Overall Awards Winners

Service Providers: **Accenture, HCLTech, TCS**

Technology Provider: **AWS**

ISG Star of Excellence™ 2023 Universal Emerging Technology Awards

Criteria:

- Minimum 20 responses
- Above average CX scores across technologies
- Provider with highest CX score wins the award

ISG Star of Excellence™ 2023 Universal Industry Awards

Criteria:

- Minimum 10 responses across industries
- Responses in 75% industries covered
- Above average CX scores across industries
- Provider with highest CX scores win the award

ISG Star of Excellence™ 2023 Universal Region Awards

Criteria:

- Minimum 20 responses
- Above average CX scores across regions
- Provider with highest CX scores win the award

ISG Star of Excellence™ 2023 Universal Technology Awards

Criteria:

- Minimum 20 responses across technologies
- Responses in 75% technologies covered
- Above average CX scores across technologies
- Provider with highest CX scores win the award

2023 Universal Awards Winners	
Universal BPO	HCLTech
Universal Emerging Tech	Hexaware
Universal (Global) Region	Genpact
Universal Industry Award	Persistent Systems
Universal ISV/Cloud Vendor Ecosystem	ITC Infotech
Universal ITO	HCLTech

ISG Star of Excellence™ 2023 Regional Awards

Criteria:

- Received above average number of responses for respective region
- Received above average CX score for respective region
- Provider with highest CX score wins the award

2023 Regional Awards Winners	
AMERICAS	**Microland**
APAC	**TCS**
EMEA	**Stefanini**

ISG Star of Excellence™ 2023 Emerging Technology Awards

Criteria:

- Above average CX score for respective technology
- Provider with highest CX score wins the award

2023 Emerging Tech Awards Winners	
Artificial Intelligence (AI)	**Mphasis**
Blockchain/NFT	**UST**
Cloud Native	**Persistent Systems**
Environmental Social Governance (ESG)	**IBM**
Mixed Reality (AR/VR)	**Deloitte**

ISG Star of Excellence™ 2023 Industry Awards

Criteria:

- Responses from respective industries
- Above average CX score for respective industry
- Provider with highest CX score wins the award

2023 Industry Awards Winners	
BFSI	**Persistent Systems**
Business Services	**UST**
CPG + Retail	**ITC Infotech**
Energy	**Deloitte**
Healthcare and Pharmaceuticals	**Persistent Systems**
Manufacturing	**Fujitsu**

ISG Star of Excellence™ 2023 Technology Awards

Criteria:

- **Responses from respective technology**
- **Above average CX score for respective technology**
- **Provider with highest CX score wins the award**

2023 Technology BPO Winners	
Contact Center - Customer Experience	**Genpact**
Digital Engineering	**HCLTech**
Finance and Accounting	**TCS**
iAutomation and Data Analytics	**Zensar**
HR Outsourcing	**Infosys**
Payroll / Benefits Administration	**Accenture**
Procurement BPO and Transformation	**E&Y**
Supply Chain Services	**Zensar**

2023 Technology ITO Winners	
Application Services	**HCLTech**
Cloud Computing	**PwC**
Cybersecurity and GRC	**TCS**
Digital Workplace	**Capgemini**
Enterprise Service Management	**Movate**
IoT	**Mphasis**
Mainframes	**HCLTech**
Networking - Software Defined	**Tech Mahindra**

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 & Editor Biographies

Author

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Senior Lead Analyst

Akhila Harinarayan is Senior Lead Analyst and the lead author for ISG Provider Lens studies with a focus on Digital Business Transformation and SAP Services. She has more than 12 years of experience across research and consulting including provider strategy, enterprise strategy, industry roadmaps, point-of-view 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.

Data Analyst
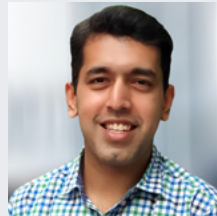
Kiran B
Senior Data Analyst

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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Product Owner, Editor

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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
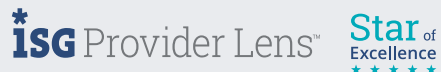
The ISG Star of Excellence™, part of the ISG Provider Lens™, is the premier industry recognition program for the technology and services industry. The program solicits client experience information through an ongoing survey. The independent survey seeks an in-depth analysis of clients' satisfaction and 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.

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For more information, visit isg-one.com.

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