ISG Provider Lens™

ISG Star of Excellence™ – 1st Quarter 2023 CX Insights

A quarterly report on enterprise CX trends across industries
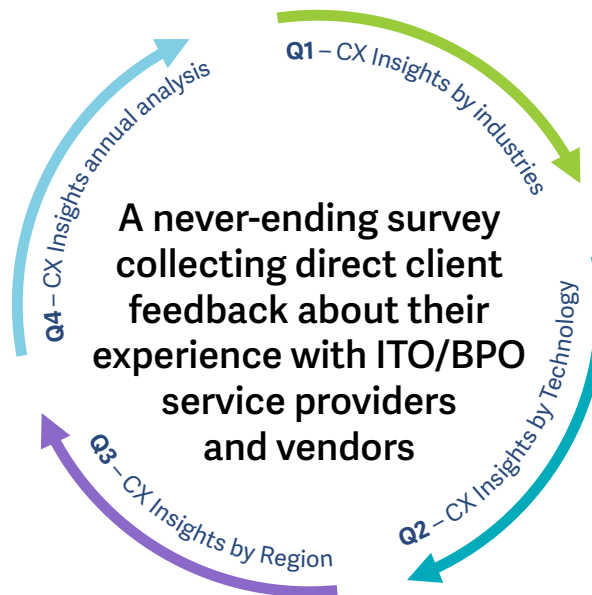
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ISG Star of Excellence™ (SoE) CX Insights

Welcome to the first edition of the ISG Star of Excellence™ CX Insights for 2023, the first in a series of reports to shed light on what enterprise buyers think about their providers. The ISG CX Insights report is the only research series of its kind based on continuous feedback from enterprise customers gathered through ISG's ongoing Voice of the Customer survey.

This ISG CX Insights report summarizes enterprise CX across industries and highlights how satisfied or dissatisfied clients are with their service providers.

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

A never-ending 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

[1Q22 CX Insights by Industries](#)   [3Q22 CX Insights by Region](#)

[2Q22 CX Insights by Technology](#)   [4Q22 CX Insights Annual Analysis](#)

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

Key Enterprise CX highlights

- Providers are doing a great job ensuring governance compliance and performing as per agreed service levels. They received the highest satisfaction scores for cyber security measures.

- Service execution remains the most important CX pillar, however, the importance score for this pillar slightly decreased Y/Y. The importance of other CX pillars has increased in 1Q23. This highlights that while timely execution and quality remain top priorities, other aspects such as adapting to changing business demands and compliance are not less important.

- People and cultural fitment was the least important CX pillar with a 9 percent increase in the absolute value Y/Y. This highlights the growing importance of understanding the customer culture environment by the service providers. Innovation and thought leadership includes providers' ability to leverage and adopt emerging technologies. ESG support was added as an additional parameter this year. The growing focus on sustainability and eagerness to implement the latest technologies such as generative AI have contributed to the increased importance of this CX pillar.

- The importance of different CX pillars has changed with the changing macroeconomic environment and the resulting change in customer demands. Customers seek more flexibility and expect their providers to be more adaptable. Providers are struggling to achieve a high CX because of these changes, and the average overall CX score is lower than in 1Q22.

Enterprise CX score =
Weighted average of satisfaction scores and importance scores for six CX pillars

Average **enterprise CX score**

65.6

Highest enterprise CX: **87.98**
Lowest enterprise CX: **51.90**

The arrows indicate the Y/Y change from 1Q22

Six Pillars	1Q23 Satisfaction Score	1Q23 Importance Score
Execution and Delivery	70.43 ↓ -4%	79.64 ↓ -3%
Governance and Compliance	76.96 ↑ 6%	78.27 ↑ 8%
Collaboration and Transparency	71.08 → 0%	77.08 ↑ 2%
Innovation and Thought Leadership	69.27 ↓ -3%	76.29 ↑ 16%
People and Cultural Fit	70.64 ↓ -2%	75.23 ↑ 9%
Business Continuity and Flexibility	68.73 ↓ -4%	78.98 ↑ 5%

Source: ISG user research in Q1 2023; n=460

Major Findings & Customer Insights
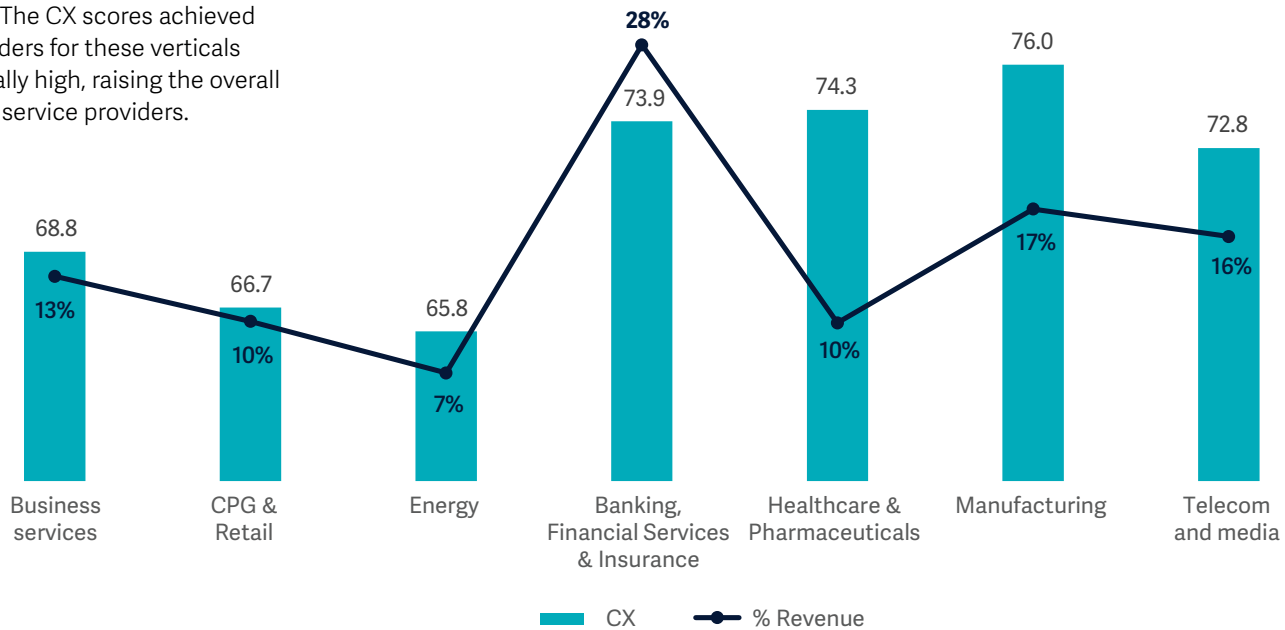
The analysis of CX scores across different industry verticals and their percentage revenue contribution gives a key insight. As providers offer services to an increasing number of clients in a particular industry, they develop a specialization, which assists in securing high enterprise CX from clients in those verticals.

For example, the banking, financial services, and insurance industry is the largest revenue generator for service providers. Providers, on average, have also secured the highest CX score from clients in this industry vertical. The average CX scores for industry verticals that have low contributions to providers' revenues are also low. Industry verticals such as healthcare, pharmaceuticals, manufacturing, and telecom and media are not always the highest revenue generators for all service providers. However, some generate significant revenues from these verticals and have, therefore, developed

deep industry expertise. The healthcare and pharmaceuticals industries, in particular, have high barriers to entry and require unique expertise and certifications. The CX scores achieved by these providers for these verticals are exceptionally high, raising the overall average for all service providers.

% revenue is an indicative figure calculated based on the average % revenue contribution of different industry verticals for the top ~70 service providers. The numbers do not add up to 100 % as there is a slight deviation in how service providers define the different industries.

Chart data:

Industry	CX	% Revenue
Business services	68.8	13%
CPG & Retail	66.7	10%
Energy	65.8	7%
Banking, Financial Services & Insurance	73.9	28%
Healthcare & Pharmaceuticals	74.3	10%
Manufacturing	76.0	17%
Telecom and media	72.8	16%

Legend: CX, % Revenue

Source: ISG user research in Q1 2023; n=460

An analysis of the six CX pillars for each industry indicates that service execution and delivery remains the most important influencing pillar, for clients, in determining their experience with their providers. At the same time, collaboration and innovation are vital for clients in some industries. Clients in the business services and telecom and media industries expect service providers to be more adaptable to their changing business requirements. Hence, business continuity and flexibility is their most important CX pillar. For clients in the energy industry, regulations and compliance are top priorities, therefore, governance and compliance is their most important CX pillar. Clients from business services, CPG and retail, healthcare and pharmaceuticals and manufacturing industries have indicated that people and cultural fit is the least important CX pillar. This suggests that most client-provider relationships in these industries are driven more by technology rather than

business integration requirements. Clients in the energy vertical have given more importance to providers' capability toward innovation than service execution and delivery. Clients in the banking, financial

services and insurance industries give the least priority to their provider's innovation capabilities and are more confident with their service delivery expectations. Telecom and media clients have given the

least importance to providers' ability to ensure collaboration and transparency; their primary interest is in ensuring that their providers adapt service delivery to changing expectations.

Level of importance of CX pillar

	Execution and Delivery	Governance and Compliance	Collaboration and Transparency	Innovation and Thought Leadership	People and Culture Fit	Business Continuity and Flexibility
Business services	High	Medium	Medium	Low	Low	High
CPG & Retail	High	Medium	Medium	Low	Low	High
Energy	Low	High	Low	High	Medium	Medium
Banking, Finacial Services & Insurance	High	Medium	High	Low	Medium	Low
Healthcare & Pharmaceuticals	High	Medium	High	Low	Low	Medium
Manufacturing	High	Medium	Medium	Low	Low	High
Telecom and media	Low	Medium	Low	High	Medium	High
Travel, transportation and leisure	High	Low	Medium	Medium	High	Low

Source: ISG user research in Q1 2023; n=460

On a scale of 1-6 how important is the CX pillar to influence the client experience with their providers? Where 1 represents highly important and 6 least important

Average Enterprise CX by Industries

Industry	Score	Y/Y Change
Manufacturing	76.0	↑ 5%
Healthcare & Pharmaceuticals	74.3	↑ 5%
Banking, Finacial Services & Insurance	73.9	↑ 4%
Telecom and Media	72.8	↑ 1%
Business Services	68.8	↓ -6%
Consumer Packaged Goods and Retail	66.7	↓ -5%
Energy	65.8	↓ -12%

The arrows indicate the Y/Y change from 1Q22

Source: ISG user research in Q1 2023; n=460

CX scores from manufacturing take the lead with an increase from last year, while scores from energy have decreased significantly

Clients in the manufacturing industry have expressed the highest level of satisfaction with their service providers. Clients have appreciated service providers' cybersecurity measures and provided a negative rating for their service transition capabilities. Manufacturing clients, overall, have rated providers high for ensuring compliance and governance with proactive engagement.

Healthcare and pharmaceutical industry clients have also expressed high satisfaction with the services of their managed service providers. These clients have given high scores to providers for taking effective cybersecurity measures and ensuring governance and compliance.

Clients in the banking and financial services industry have given high CX scores to providers for their ability to clearly define handovers between their own and clients' staff. Insurance industry clients have also given high CX scores to providers for maintaining effective cybersecurity measures.

Telecom and media industry clients, too, have given high CX scores to providers for their effective cybersecurity measures.

Clients in business services have expressed low satisfaction with their service providers. They have given low satisfaction scores to providers because of their inability to adapt their services to address macroeconomic challenges and have expressed the need for more flexibility.

CPG and retail clients have also expressed low satisfaction with their service providers. While clients in CPG have given low satisfaction scores to providers for their lack of flexibility in supporting business continuity initiatives, retail clients have expressed dissatisfaction over providers' inability to support their ESG initiatives.

Similarly, clients in the energy industry are dissatisfied with providers' ability to address changing demands triggered by macroeconomic factors. Service providers have received the lowest CX scores from clients in the energy industry.

Compared with Q1 2022, there have been some noteworthy changes in Q1 2023:
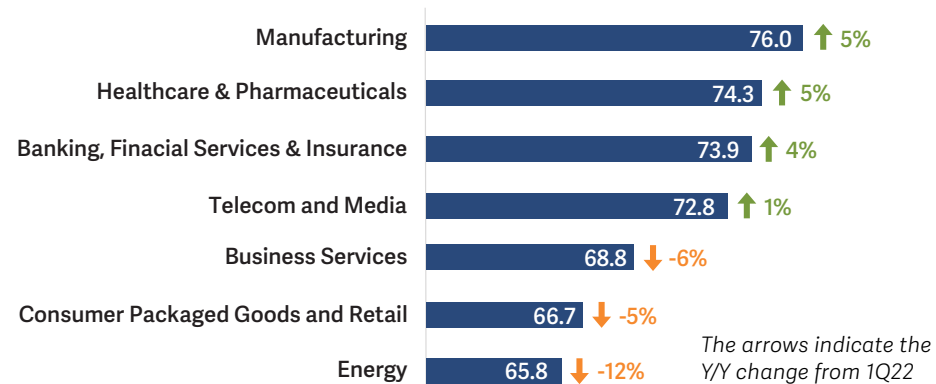
CX scores for business services, CPG and retail have dropped as providers on average received low satisfaction for all the CX pillars. The customer experience in the BFSI, healthcare and pharmaceuticals, manufacturing and telecom and media improved only slightly. However, for the energy industry, the scores have dropped significantly as providers scored poorly across all CX pillars on average.

Industry verticals with high and low CX are common across regions

CPG & Retail clients have expressed dissatisfaction with providers' inability to adapt to changing macroeconomic conditions and provide support in the widespread use of emerging technologies. This is consistent across all regions. Compared with Q1 2022, there is little to no change in CPG and retail clients' perception of their service providers; it continues to be the industry vertical generating the lowest CX scores.

Manufacturing industry clients have appreciated providers' ability to proactively address issues and be open to constructive criticism. European manufacturing clients have given higher CX scores than clients in APAC and the Americas. Providers, in general, have improved their CX scores for this vertical significantly compared with the scores in Q1 2022.

	Americas	EMEA	APAC
Business services	67.5	71.1	69.3
CPG & Retail	57.8	66.5	64.9
Energy	60.8	67.7	63.7
Banking, Finacial Services & Insurance	72.2	78.2	74.8
Healthcare & Pharmaceuticals	66.4	79.7	80.1
Manufacturing	74.0	82.1	73.8
Telecom and media	68.6	72.6	71.5

Source: ISG user research in Q1 2023; n=460

Healthcare and pharmaceuticals industry clients in APAC have appreciated providers' ability to take adequate security measures and demonstrate new work methods. In Q1 2022, the pharmaceuticals industry gave the providers high satisfaction scores, while healthcare clients expressed low satisfaction levels in the region. Providers' scores for both sectors have improved in Q1 2023.

Energy industry clients in APAC are rapidly changing their requirements in keeping with global macroeconomic factors; in this scenario, providers find it a challenge to meet clients' expectations. CX scores of providers from this vertical have decreased this quarter for the region.

Industry CX Insights Across Services and Technologies

The manufacturing industry has shown the highest satisfaction with its IT service providers, among all industries. In contrast, clients from the healthcare and pharmaceuticals industry are highly satisfied with their business process outsourcing service providers.

- Business Services clients have expressed the highest satisfaction with their managed IoT service providers and the ones that manage procurement.

- The CPG and retail clients have given the highest CX scores to providers for their application development and maintenance services. These clients are also satisfied with their providers' services in the area of intelligent automation.

- Clients in the banking, financial, and insurance industry have given the highest satisfaction scores

to providers managing legacy IT infrastructure such as their mainframes and enterprise service management landscape. Among the BPO services, these clients have given high CX scores for payroll BPO and intelligent automation services.

- Energy industry clients have given high CX scores to providers offering managed services in the areas of cybersecurity and HR.

- Healthcare and pharmaceuticals clients have expressed high satisfaction with their managed digital workplace and application service providers and the ones managing organizational change management, finance and accounting business processes.

- Manufacturing industry clients have given high CX scores to their legacy infrastructure management

	ITO	BPO	Emerging Tech	Cloud Ecosystem
Business services	68.8	65.5	72.0	67.9
CPG & Retail	63.6	65.4	64.0	64.2
Energy	68.8	65.5	68.2	66.7
Banking, Finacial Services & Insurance	74.8	70.1	76.0	71.2
Healthcare & Pharmaceuticals	71.1	80.4	61.7	65.3
Manufacturing	80.7	73.6	75.2	74.9

*ITO, BPO, Emerging tech and Ecosystem definition in Appendix
Source: ISG user research in Q1 2023; n=460

service providers and the ones managing supply chain operations.

Banking, financial services and insurance clients have expressed high satisfaction with their provider's ability to manage diverse (cloud) technology ecosystems such as AWS, Amazon, Google, Salesforce, SAP, Salesforce, Oracle, and ServiceNow.

Among the emerging technologies, banking, financial services and insurance vertical clients have given high CX scores to providers' offering managed cloud containerization services. Telecom and media clients are highly satisfied with their providers' initiatives toward ESG, immersive media and extended reality.

2022 Enterprise CX Award Winners by Industry

In 2022, ISG awarded the service providers that achieved the highest enterprise CX score for each industry and universally across multiple industries.

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.

ISG Star of Excellence™ 2022 Universal Industry Awards

Criteria:

- Minimum 10 client responses
- Client responses in 75 percent of industries covered
- Above-average overall CX score across industries

Universal Industry Award winners
DXC Technology
Hexaware
Infosys

ISG Star of Excellence™ 2022 Industry Awards

Criteria:

- Client responses from respective industries
- Above-average overall CX score for the respective industry

Industry Award winners	Highest enterprise CX Industry award winner
Business Services	Microland
Consumer Packaged Goods	Lumen
Energy	Hexaware
Financial Services	TCS
Healthcare	TCS
Insurance	Infosys
Manufacturing	Infosys
Pharmaceuticals and Life Sciences	Tech Mahindra
Public Sector	Capgemini
Retail	HCLTech
Telecom and Media	Infosys
Travel, transportation and leisure	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

Emerging Technology Services
- Blockchain and/or Non-Fungible Token
- Cloud Native (Containers/ Serverless Architecture)
- Environmental Social Governance (ESG)
- Immersive media and/or Extended Reality (Metaverse)

Technology Provider Ecosystem Services:
- AWS
- Microsoft
- Salesforce
- ServiceNow
- Workday
- Google
- Oracle
- SAP

Author & Editor Biographies

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Mrinal Rai is Assistant Director and Principal Analyst at ISG and leads research for the future of work and enterprise customer experience. His expertise is in the digital workplace, emerging technologies and the global IT outsourcing industry. He covers key areas around the Workplace and End User computing domain, viz., modernizing workplace, Enterprise mobility, BYOD, DEX, VDI, managed workplace services, service desk and modernizing IT architecture. He also focuses on unified communications collaboration as a service, enterprise social software, content collaboration, team collaboration, employee experience and productivity services and solutions.

He has been with ISG for 10+ years and has around 16 years of industry experience. Mrinal works with ISG advisors and clients in engagements related to the digital workplace, unified communications and service desk. He also leads the ISG Star of Excellence™ program that tracks and analyzes enterprise customer experience in the technology industry and authors quarterly ISG CX Insights reports. He is also the ISG's official media spokesperson in India.

Data Analyst

Kiran B
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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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™ (SOE) 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™

The ISG Provider Lens™ Quadrant research series is the only service provider evaluation of its kind to combine empirical, data-driven research and market analysis with the real-world experience and observations of ISG's global advisory team. Enterprises will find a wealth of detailed data and market analysis to help guide their selection of appropriate sourcing partners, while ISG advisors use the reports to validate their own market knowledge and make recommendations to ISG's enterprise clients. The research currently covers providers offering their services across multiple geographies globally.

For more information about ISG Provider Lens™ research, please visit this webpage.

ISG Research™

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ISG offers research specifically about providers to state and local governments (including counties, cities) as well as higher education institutions. Visit: Public Sector.

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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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APRIL, 2023

2023 ISG STAR OF EXCELLENCE™ Q1 CX INSIGHTS REPORT