

ISG Star of Excellence™ – 1st Quarter 2024 CX Insights

A quarterly report on enterprise outsourcing
CX trends – Industry highlight



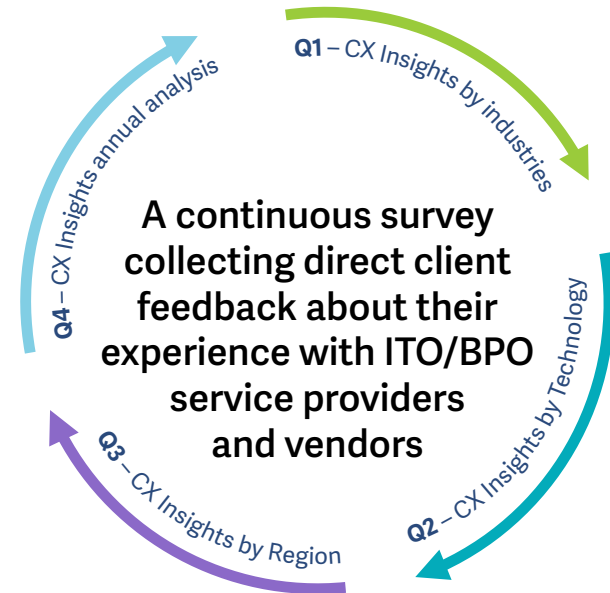
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ISG Star of Excellence™ CX Insights

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.



[Q3 2023 CX Insights by Regions](#)

[Q1 2023 CX Insights by Industries](#)

[Q2 2023 CX Insights by Technology](#)

[2023 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:

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

- 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

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



A significant growth in CX scores (~13%) for outsourcing contracts indicates that enterprises, in general, are more satisfied with services offered by providers and vendors operating in the outsourcing market this year than last year. Cost optimization emerges as a major focus area across IT contracts. Among the six pillars assessed for ISG Star of Excellence CX, the execution and delivery category obtained the top CX score, and the business continuity and flexibility category accounted for the highest YoY growth. Despite the increase in CX scores, it is interesting to notice that the importance score (enterprises' prioritization of the six pillars for outsourcing contracts) for innovation and thought leadership has declined by four percent YoY.

The decline in CX and importance scores for the governance and compliance

category can be attributed to the increased efforts by service providers to comply with the changing AI regulations worldwide, leading to changes in AI apps. Providers will need to bring in more prudence, which can cause uncertainty in implementing AI-based solutions despite the increasing adoption of AI across various use cases, thereby resulting in CX fluctuations. These fluctuations will result in frequent changes in enterprise applications, further impacting services delivered and CX scores.

The power and utilities industry (83.8) records the highest CX score, while the oil and gas industry (67.9) records the lowest. The ISG Star of Excellence CX Insights report for Q1 focuses on the industry perspective. Subsequent sections in the report highlight key industry trends and changing CX scores YoY.

Average enterprise CX score

75.7

Highest enterprise CX: **83.8** – Power & Utilities

Lowest enterprise CX: **67.9** – Oil & Gas

The arrows indicate the Y/Y change from 1Q23

Six Pillars	Q1 2024 Satisfaction Score		Q1 2024 Importance Score	
Execution and Delivery	76.7	↑ 9%	77.2	↓ -3%
Governance and Compliance	76.4	↓ -1%	75.6	↓ -3%
Collaboration and Transparency	75.6	↑ 6%	76.4	↓ -1%
Innovation and Thought Leadership	74.0	↑ 7%	73.6	↓ -4%
People and Cultural Fit	76.2	↑ 8%	76.1	↑ 1%
Business Continuity and Flexibility	75.5	↑ 10%	76.1	↓ -4%

Source: ISG User research in Q1 2024, n=557





Major Findings & Customer Insights

Industry CX Highlights – Key Industries

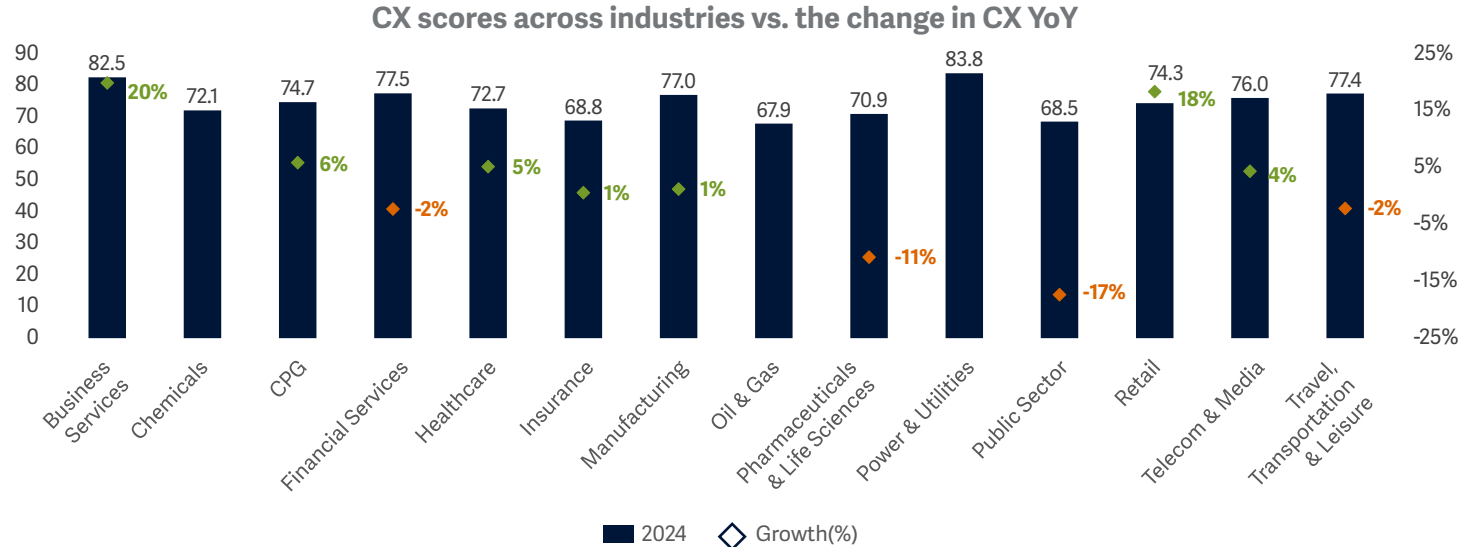
Among all industries, business services and retail accounted for the highest positive change in CX scores. In the business services vertical, enterprises have registered high CX scores for governance and compliance, maintaining cybersecurity measures and proactively engaging in issue resolutions. This trend differs from the overall trends mentioned in the Q1 FY24 CX Insights section, indicating an increased focus on governance and compliance aspects for business services. In the retail industry, enterprises noted greater emphasis on collaboration and transparency and elevated CX scores for execution and delivery. This trend is aligned with the overall trends in the abovementioned section.

Variations in CX scores across industries indicate dissimilar growth in outsourcing experiences. Some of these aspects can be attributed to industry dynamics and each industry's inherent complexities,

which could have impacted the quality of experiences service providers offer for industry-specific outsourcing contracts. Although the retail industry has observed a significant change in CX scores for outsourcing contracts, its average CX score falls below the industry average,

indicating a need for improvement. Aligned with the overall trend, the retail industry has obtained the least CX and importance scores for innovation and thought focus on cost saving and optimization, leadership. With the industry's primary innovative use cases prevalent during

the pre-pandemic days have become less common. These industry dynamics are anticipated to stabilize in the next 12 months; thus, the adoption of innovative use cases is expected to accelerate across the retail and other industries.



Industry CX Highlights – Six Pillar CX Scores Across Industries

Despite positive growth in CX scores across industries YoY, these scores in each of the categories have not exceeded expectations for most industries. High CX scoring industries have some areas for improvement. For example, the power and utilities industry (high CX scorer) obtained a medium score for innovation and thought leadership, and the retail industry (high CX gain YoY) recorded a medium score across all categories.

The table on the right provides a detailed overview of scores that have exceeded expectations and improvement areas across the six pillars of assessment for ISG Star of Excellence CX scores. While healthcare, pharmaceuticals and life sciences have achieved significant growth in outsourcing contracts, their CX scores are not notably high. This highlights that substantial growth in outsourcing contracts

does not guarantee a superior customer experience across the outsourcing industry.

In the power and utilities industry, enterprises have recognized providers with high CX scores for their ability to maintain adequate cybersecurity measures and comply with policies and regulations. Consequently, this industry has recorded increased CX scores for governance and compliance. Power and utilities operate in a highly regulated environment with limited competition and a traditional mindset for enterprise firms. Achieving a high CX score indicates that service providers can deliver better performance and improve their service delivery experience. In an industry where technical competencies are preferred, service providers have demonstrated strong expertise in delivering value to clients. Thus, the power and utilities industry has obtained significant CX scores across most categories and subcategories.

CX Pillar vs. Level Importance

	Execution and Delivery	Governance and Compliance	Collaboration and Transparency	Innovation and Thought Leadership	People and Cultural fit	Business Continuity and Flexibility
Business Services	High	High	High	Medium	High	High
Chemicals	Medium	Medium	Low	Medium	Medium	Medium
CPG	Medium	Medium	Medium	Medium	Medium	Medium
Financial Services	Medium	Medium	Medium	Medium	Medium	Medium
Healthcare	Medium	Medium	Medium	Medium	Medium	Medium
Insurance	Medium	Medium	Low	Low	Medium	Low
Manufacturing	Medium	Medium	Medium	Medium	Medium	Medium
Oil and Gas	Low	Low	Low	Low	Low	Low
Pharmaceuticals and Life Sciences	Medium	Medium	Medium	Low	Medium	Low
Power and Utilities	High	High	High	High	High	High
Public Sector	Low	Low	Medium	Low	Low	Low
Retail	Medium	Medium	Medium	Medium	Medium	Medium
Telecom and Media	Medium	Medium	Medium	Medium	Medium	Medium
Travel, Transportation and Leisure	Medium	Medium	Medium	Medium	Medium	Medium

Low: 60 to 70 - needs Improvement
 Medium: 70 to 80 - Met expectations
 High: 80 to 90 - Exceeded Expectations





CX Insights Across Key Industries

Healthcare and Pharmaceuticals and Life Sciences

According to ISG Index Q1 2024, healthcare, pharmaceuticals and life sciences have registered one of the highest outsourcing activities for the quarter and is ranked second highest in positive ACV growth for the quarter. However, ISG Star of Excellence CX scores for these outsourcing contracts indicate lower than average customer satisfaction levels. In the healthcare industry, providers have recorded low scores for adapting delivery to meet business objectives and effectively communicating about projects, workloads and timelines. Conversely, providers have obtained high CX scores for proactively engaging with issue resolution and being receptive to constructive criticism and suggestions for improvement. In the pharmaceuticals and life sciences industry, providers have scored low for demonstrating new work methods, techniques and tools and for being receptive to constructive criticism and

suggestions for improvement. High scores are attained for adapting to work culture and executing projects/plans on time.

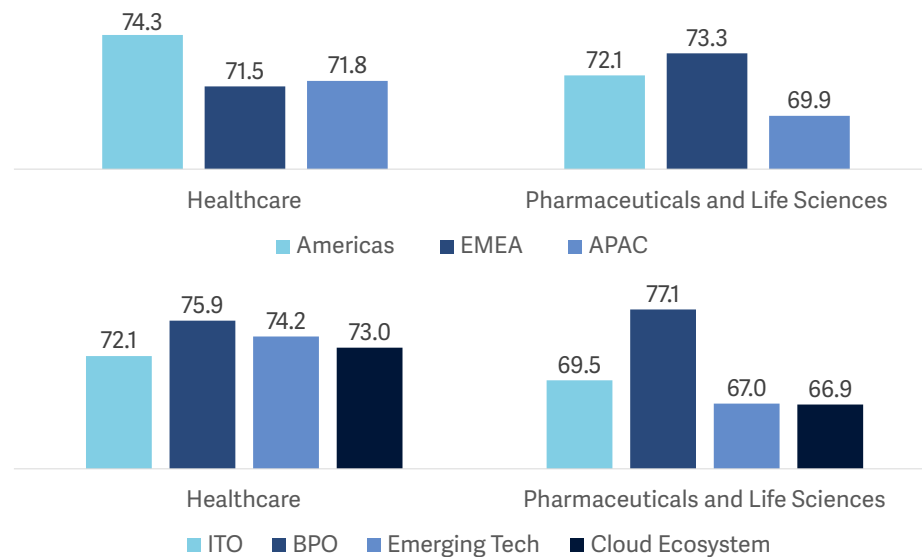
Across the Americas and APAC, healthcare has achieved greater CX scores compared to pharmaceuticals and life sciences. However, in EMEA, the trend is otherwise. Pharmaceuticals and life sciences exhibit improved scores than healthcare in EMEA, except for Western Europe. In the Americas, healthcare consistently outperforms (in terms of CX scores) pharmaceuticals and life sciences. In APAC, the trend varies across regions, mainly due to fluctuating outsourcing requirements and stringent regulations in certain regions.

CX scores for BPO contracts are relatively higher than those for ITO or cloud outsourcing contracts in both industries. Across all categories, healthcare recorded better CX scores than pharmaceuticals and life sciences,

except BPO. Previous year, the CX scores for the cloud ecosystem were relatively lower than those of other segments due to the fluctuating cloud demand and high pressure for cloud bookings.

For more information on providers across these industries, please refer to the ISG Provider Lens™ reports.

[Healthcare](#) | [Lifesciences](#)



Chemicals, Oil and Gas, and Power and Utilities

The chemicals industry exhibits the highest CX score for execution and delivery compared to the other pillars of ISG Star of Excellence CX scores. Enterprises in the oil and gas industry have recorded better scores for the business continuity and flexibility category. In the power and utilities industry, the governance and compliance category, although elevated among the six pillars, has achieved the highest score.

Across regions, CX scores for the power and utilities industry exceed those of the other two industries. This high score can be attributed to the industry's focus on digital transformation initiatives and outsourcing contracts related to the transition to renewable energy sources. Power and utilities also exhibit higher CX scores for emerging technology outsourcing than the other two industries.

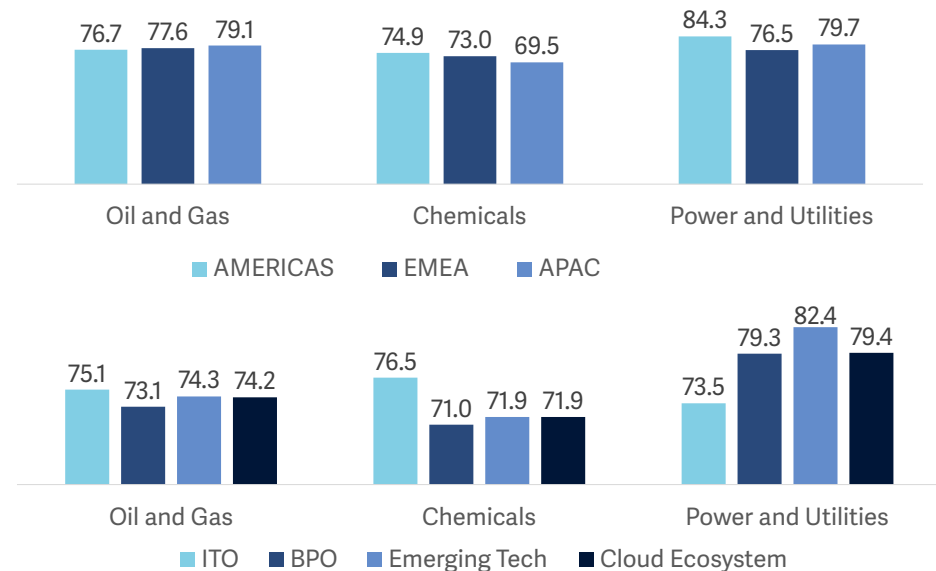
The chemicals industry has recorded better CX scores for ITO contracts compared to BPO, emerging tech and cloud ecosystem. Enterprises have recognized providers with increased CX scores for their ability to minimize downtime, maintain effective cybersecurity measures, and proactively communicate regarding projects and timelines. With the increasing adoption of digital transformation, enterprises in the chemicals industry are leveraging advancements in analytics and AI to reshape the production process.

In the oil and gas industry, enterprises have received elevated scores for adapting to changes in demand due to external macroeconomic and global factors. Such high scores indicate that providers have helped enterprises manage their businesses during turbulent macroeconomic conditions.

While the typical scores across the six pillars and subcategories are low for this industry, enterprises have scored relatively better for providing necessary resources and maintaining

adequate cybersecurity measures. For more information across these industries and service providers, please refer to ISG Provider Lens™ reports.

[Chemicals](#) | [Oil and Gas](#) | [Power and Utilities](#)



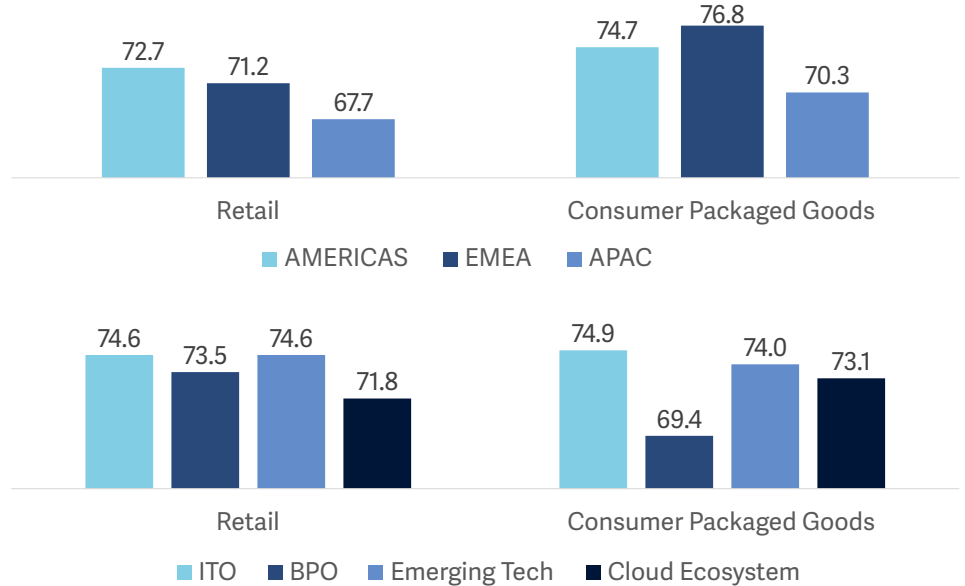
Across all regions, CPG recorded enhanced CX scores as compared to the retail industry. Based on the six pillars of CX scores, CPG enterprises have recognized providers for their ability to adapt to clients' work culture. Retail enterprises have been awarded high scores for executing projects/plans on time.

Retail and CPG have been considered among the fast-growing industries in technology adoption and outsourcing contracts. However, according to ISG Index Q1 2024, they have ranked third for a positive change in ACV for the quarter. CX scores for both industries have been slightly lower than the enterprise CX scores across industries. Nevertheless, CPG enterprises have scored above average for business continuity and flexibility among the six pillars of ISG Star of Excellence assessment.

The retail industry's CX score for BPO sector is significantly elevated than the CPG industry, while this score across all other segments remains relatively similar. The ISG Provider Lens Retail and CPG study reveals that consumer markets, retail and CPG companies are increasingly similar in their operations and goals due to the changing consumer behaviors, technological advancements and market dynamics. This resemblance is attributed to CPG companies adopting a direct-to-consumer (D2C) sales approach to widen customer reach through in-house brand stores and online channels. Enterprises prioritize CX and increasingly adopt cloud-based AI and analytics to drive business decisions. They have awarded greater CX scores to providers adept at understanding industry requirements, adapting to enterprise work culture and meeting

business delivery objectives. Elevated CX scores for ITO for retail and CPG industries can be attributed to enterprise requirements across these industries.

For more information on the retail and CPG industry, please refer to ISG Provider Lens™ reports. [Retail and CPG](#)



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 (e.g., Cloud, Procurement, Banking, SAP-related Services or many other topics)

CX Star Performers

IPL Study 2024	CX Star Performer
Mainframes	HCLTech
Microsoft	Bechtle
Procurement Services	PwC
Salesforce	Hexaware
SAP	Infosys
ServiceNow	KPMG
Digital Engineering Services	Persistent Systems
Chemical Industries	Accenture



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

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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-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.

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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.





Product Owner, Editor

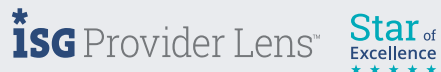
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Heiko Henkes is a Director and Principal Analyst at ISG; in his role as Global ISG Provider Lens™ (IPL) Content Lead and Program Manager, he is responsible for strategic business management and acts as thought leader for IPL Lead Analysts. In his role 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



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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