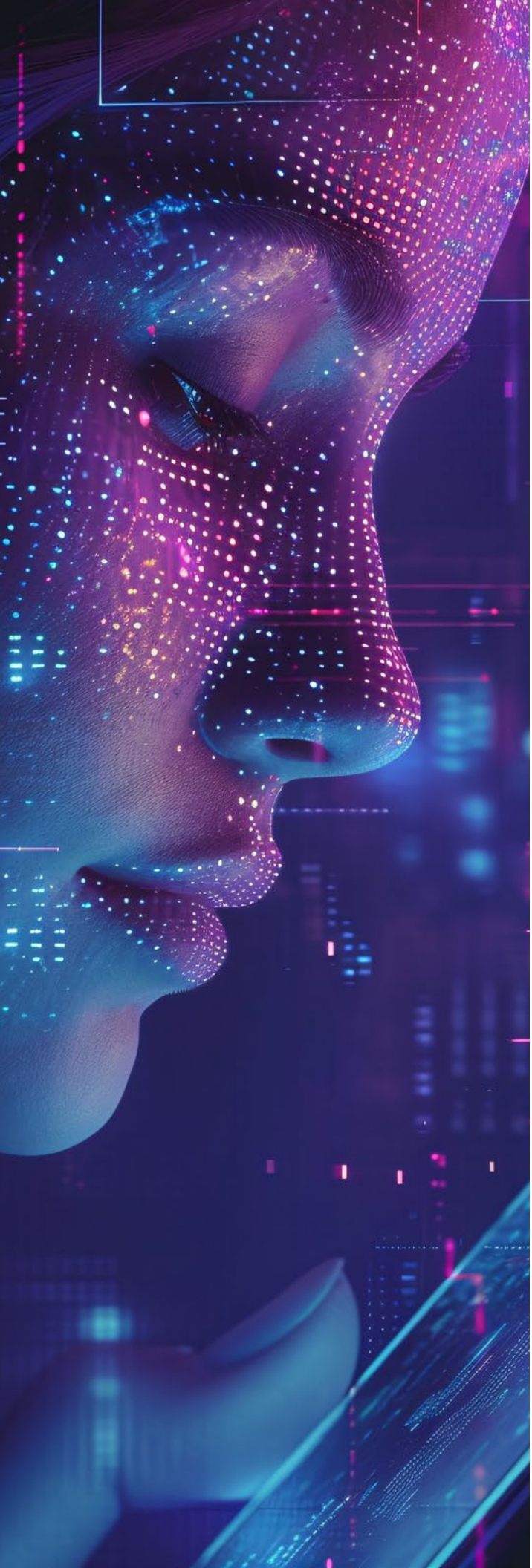

AI

IN THE CONTACT CENTER INDUSTRY: ANOTHER TOOL IN THE TOOLBOX? OR A COMPLETE GAME-CHANGER?

Exploring AI's evolving role in the contact center industry—its impact on efficiency, workforce dynamics, and the future of customer experience.

BROWN GIBBONS LANG & COMPANY

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1 EVALUATING THE THREAT OF AI TO THE CONTACT CENTER SERVICES INDUSTRY

Artificial intelligence (AI) has emerged as a transformative force in the contact center industry, bringing unprecedented opportunities for efficiency, personalization and innovation. Many industry observers believe that AI, with features such as advanced data analytics, voice recognition systems, sentiment analysis software, real-time quality assurance and personalized recommendation systems can replace human agents. Although this may be true, significant progress is still needed before AI is fully implemented within the contact center environment. Businesses are still in the early stages of adoption, with 37% of contact center operations remaining uncertain about which type of AI best suits their needs[i]. Given the unpredictable pace of adoption within the industry, research suggests that, even in ten years' time, 80% of agents will still be human agents, albeit handling interactions that are less routine and involve more human-intensive tasks[ii].

The use of AI is essential for businesses to stay competitive in the contact center services industry and failing to do so will leave organizations falling behind their competitors with regards to service offerings and capabilities. However, integrating and implementing AI tools is costly and requires specialized expertise, with the added risk that AI has, at times, been proven to provide inaccurate responses. Currently, it is estimated that 65% of contact center companies currently use AI for at least one business function[iii].

Despite these advancements, there is concern among some Wall Street analysts that AI could completely disrupt the contact center industry, potentially leading to widespread job losses. The fear is that, as AI systems become increasingly prevalent, companies may rely less on human agents, reducing the need for large workforces. However, this perspective overlooks a crucial aspect: **AI systems are tools, not replacements for human empathy, creativity and adaptability.** Many customer interactions, particularly those involving high stakes or sensitive issues, still require a human touch. AI may streamline certain tasks, but it is unlikely to completely replace the nuanced communication skills that human agents bring to the table.

A notable example is **Concentrix**, a publicly-traded global leader in customer experience (CX) solutions and business process outsourcing (BPO). While generative AI tools are intended to benefit **Concentrix**, investors and consumers are apprehensive about the impact of AI technologies. **Concentrix** shares have plummeted, with nervous investors selling off their holdings due to uncertainty regarding the AI landscape and growing concerns that AI could render traditional voice-based contact center and BPO services obsolete, a trend seen across the sector. **Concentrix's** stock price fell by 56% in 2024.

Additionally, **Teleperformance**, a French-headquartered contact center company, saw its shares plunge by 23% in just one day in March 2024 after missing its full-year revenue target and citing a "volatile economic environment." Although companies are gaining greater ability to utilize AI technology for their own benefit, investors are still on the fence about whether the benefits of AI will outweigh any potential negative effects. Shares of **Teleperformance** fell by 38% over the course of 2024.

AI-POWERED CUSTOMER INTERACTIONS: ENHANCING CONVERSATIONS, NOT REPLACING THEM

CUSTOMER
They must be cooking in the room and making a bad odor. We can smell it down the hall.

AGENT
I'm in reservations, have you called the front desk?

CUSTOMER
I went to the front desk. They were useless.

AI indicates drop in customer sentiment

I don't know who else to call but this situation is unbearable.

I can't stay in the room. The smell is so bad.

AGENT
Well I'm not sure what I can do to help, other than call housekeeping.

CUSTOMER
Seriously? Can you transfer me to someone in customer service?

Sentiment drops more

AGENT
Maybe I can help.

I'm happy to conference in the front desk to see what I can do.

I'm looking at your reservation right now and it's my pleasure to tell you we have a mini suite available for your entire stay on the 18th floor.

Because you're a loyal customer we can get you into the room right now.

CUSTOMER
Thank you very much.

Sentiment improves

AI gives agent advice based on historically successful conversations

AI
- Speak slower so customer can understand you
- Inform customer that you can assist them
- Try to address the issue!

AI
- Inform customer that you can assist them
- Take ownership and be empathetic
- Do what it takes to make customer happy!

AI
- Great job acknowledging loyalty!

Source: WSJ

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EMBRACING AI IN THE CONTACT CENTER INDUSTRY

As AI adoption progresses, established and emerging forces will continue to reshape the CX landscape. Businesses are becoming more cognizant of the significant advantages AI can offer to their CX operations. The main reasons for adopting AI include (i) automating tasks to enhance efficiency and agent productivity (44%), (ii) improving CX with chatbots and personalized recommendations (43%), and (iii) using predictive analytics to identify customer behaviors, trends and forecast demand (39%). Additionally, within back-office operations, AI and machine learning accelerate processes and reshape how businesses operate. AI can efficiently and accurately manage large volumes of data, transforming tedious tasks such as data entry, routine customer interactions, and financial management into streamlined, efficient processes. Automating predictable tasks enables teams to focus on more critical, strategic activities that require a human thought process[iv].

Throughout 2024, the contact center services industry became increasingly aware of the applications and scalability of generative AI. A 2024 Q3 **Teleperformance** press release stated that "the firmwide upskilling program in AI and emotional intelligence has started its global rollout with more than 44,000 training programs completed by November 1, 2024. More than 160 new AI projects have been launched for more than 130 clients." Other industry leaders such as **TTEC Holdings** echo that sentiment, with a long-term AI goal to "create a companion for associates in their daily work, generate insight at scale about how best to craft impactful customer experiences, and deliver personalized, contextual interactions with customers that make them feel valued and understood."

For **Konecta**, a leading provider of outsourced customer services and BPO solutions based in Spain, AI is a significant opportunity to drive future growth, expand their total addressable market, and strengthen their position as a "diversified BPO" provider by broadening service offerings. **Konecta** is committed to leveraging AI to enhance leadership in the global BPO space. Companies like **Konecta** see opportunities to enhance operational efficiencies, augment the human workforce with super-agent capabilities and streamline processes more efficiently. Through the capabilities enabled by AI technology, organizations will expand service offerings and introduce innovative solutions across multiple industries to address sector-specific needs[v].

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SUPPORTING FINANCIAL EXHIBITS

While Wall Street "outsiders" have impacted public share prices negatively (see Exhibits A and B) given their concerns that AI will effectively eliminate the industry, we have witnessed many industry insiders taking advantage of recent stock price weakness to complete significant M&A transactions (see Exhibit C). In September 2024, Kenneth Tuchman, CEO of **TTEC Holdings**, announced his intention to take the company private. This followed an unprecedented drop in **TTEC's** share price of 78% from the beginning of the year to the date of the announcement. This initiative followed the go-private transaction for **Startek** (January 2024), the $3.6 billion acquisition of **Majorel** by **Teleperformance** (April 2023) and the $3.8 billion acquisition of **Webhelp** by **Concentrix** (March 2023).

EXHIBIT A:
HISTORICAL EV / TTM EBITDA MULTIPLES[1]

COMPANY	12/31/22	12/31/23	12/31/24
Concentrix	9.7x	7.9x	5.4x
Conduent	6.7x	8.6x	9.2x
IBEX	12.5x	6.3x	4.6x
TaskUS	12.0x	8.2x	9.6x
TTEC	10.1x	8.3x	7.2x
Mean	**10.2x**	**7.9x**	**7.4x**

EXHIBIT C:
NOTABLE TRANSACTIONS

TARGET / ACQUIROR	TRANSACTION VALUE	DATE:
Startek / CSP Capital Square Partners	$217M	January 2024
maiorel / Teleperformance	$3,620M	April 2023
Webhelp / concentrix	$3,750M	March 2023

EXHIBIT B: CONTACT CENTER INDEXED STOCK PERFORMANCE[1]

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FINAL INSIGHTS

In the long run, the integration of AI in the contact center will likely redefine roles rather than eliminate them. **Human agents will shift from being reactive problem solvers to proactive customer advocates, supported by AI tools that handle routine tasks and provide actionable insights.** Far from signaling the end of the industry, AI has the potential to make contact centers more dynamic, innovative, and customer focused. By embracing AI as a partner rather than as a threat, the industry can thrive in an era of rapid technological change while ensuring that human connections remain at the heart of customer service.

The market's negative outlook on companies in this sector is clearly reflected in their current valuation. No evidence suggests that companies in this space will disappear due to AI, pointing to a significant inefficiency or misjudgment in business models. As a result, at the current price, we believe that companies in the industry represent a compelling buying opportunity both as stock market investments and as acquisition targets.

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