

EXCERPT

Worldwide Contact Center Services 2009 Vendor Profiles: The Slide into Uncertainty

Stephen Loynd

IN THIS EXCERPT

This IDC Excerpt is taken from the Competitive Analysis report entitled, *Worldwide Contact Center Services 2009: The Slide into Uncertainty*, by Stephen Loynd, (Doc# 216987). All or part of the following sections are included in this Excerpt: Situation Overview, Future Outlook, IDC's Leadership Grid, Figures 8 and 11, and Synopsis.

SITUATION OVERVIEW

StarTek

Analyst Comments

- ☒ **Strong leadership.** Larry Jones' experience and international vision bode well for the company's future.
- ☒ **Strategic expansion.** Although new site openings negatively impacted utilization and profitability, the strategic advantages of an expanded delivery platform in the United States and offshore in the Philippines should bear considerable fruit going forward.
- ☒ **Home-based agents.** While expanding offshore, StarTek Inc. is also focused on offering an effective home-based agent solution.

Overview

StarTek (NYSE: SRT) is a provider of BPO solutions to the communications industry. The company's service suite includes customer care, sales support, complex order processing, accounts receivable management, technical support, and other industry-specific processes.

Key Facts

- ☒ Founded in 1987 as StarPak, a small product packaging and fulfillment company; in 1997, StarTek went public under the symbol SRT on the New York Stock Exchange.
- ☒ Headquartered in Denver, Colorado
- ☒ Larry Jones, President and CEO

- ☒ Over 9,700 employees
- ☒ Provides services from 21 operational facilities

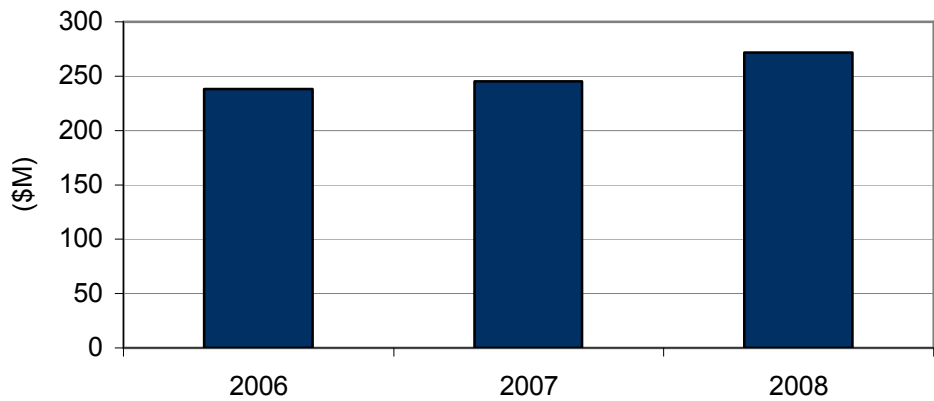
Revenue

- ☒ \$273 million (2008)
- ☒ \$245 million (2007)
- ☒ \$238 million (2006)

Figure 8 shows this revenue trend.

FIGURE 8

StarTek Revenue, 2006–2008



Source: StarTek, 2009

Brief Summary of Solutions

- ☒ Customer acquisition
- ☒ Order management/provisioning/Installation/setup
- ☒ Customer care
- ☒ Technical and product support
- ☒ Upselling/cross-selling
- ☒ Receivables management

Contract Highlights

- ☒ **Global 50 communications provider (May 2008).** StarTek announced that one of the world's largest telephone, Internet, and wireless companies, with over 65 million subscribers, has renewed a multiyear agreement. StarTek provides

inbound customer care and support services, prepaid consumer care, accounts receivable management, and technical support. The agreement also supports client-specific specialty programs.

Organizational Highlights

- ☒ **Philippines launch (January 2009).** StarTek inaugurated a facility in Makati, the Philippines, with President Gloria Macapagal-Arroyo and 80 senior industry officials attending the formal ceremony. StarTek began operations there, delivering services for Fortune 1000 corporations in the United States, in September last year. The company is on its way to expanding that number to its total capacity for the facility of 1,100. This is the company's first facility outside the United States and Canada.
- ☒ **Site closing (August 2008).** StarTek closed its facility in Big Spring, Texas.

FUTURE OUTLOOK

What Will Happen?

Based upon an examination of an array of players in the contact center services market, it is possible to make the following predictions:

- ☒ **Severe recession.** The United States and the world is in the middle of a severe recession that will bring cost savings to the fore.
- ☒ **An increase in outsourcing.** More companies may seek out outsourcing as a possible solution to some of their challenges, even as volumes decline.
- ☒ **Strategic moves by the strong.** Partnerships and acquisitions will proliferate for opportunistic providers.
- ☒ **Shifts continue.** Outsourcers will restructure the partnership ecosystem to align with a shift toward new service models and global sourcing.
- ☒ **Technology's role.** Technology will continue to grow in importance when it comes to winning business process outsourcing deals. Increased customer use of disruptive delivery options (e.g., hosting, software as a service [SaaS], and utility computing) will drive outsourcers to increase their focus on and investments in these new areas. More than ever, outsourcers will need to leverage on-demand models in penetrating key markets, including small and medium-sized businesses and emerging markets.

IDC's Leadership Grid

Approach to Positioning

In an attempt to measure how well the services firms profiled in this study are aligned with the market opportunity and how well each services firm is positioned to capture market share, IDC developed the customer care BPO services IDC Leadership Grid.

This benchmarking analysis is meant to provide a comparative overview of vendors' service offerings and competitive positioning. At the same time, IDC's Leadership Grid is intended to help vendors as they position themselves in the market through marketing messages and activities.

IDC recognizes the various competencies and strengths that different contact center BPO services firms bring to the market. IDC includes a wide range of services firms in the IDC Leadership Grid for contact center BPO services because these services firms are playing in the customer care industry, in many cases competing for similar projects with clients.

IDC's Leadership Grid and the relative positions of the firms profiled in this study are shown in Figure 11.

FIGURE 11

IDC Leadership Grid: Contact Center Services Market



Source: IDC, 2009

Inclusion in IDC's Leadership Grid

The firms included in IDC's Leadership Grid offer services in at least one of the following areas:

- Customer interaction outsourcing
- Contact center technology hosting
- Customer care training and support outsourcing
- Customer care consulting

It should be noted that this list of companies is not intended to be all-inclusive. Rather, it is intended to evaluate a group of leading firms that position themselves as customer care BPO services firms.

IDC intends to update this figure in the future. To be considered for future contact center BPO services IDC Leadership Grids, please contact Stephen Loynd, program manager of IDC's Contact Center Services, at 508-935-4577 or sloynd@idc.com.

Definition of IDC Leadership Grid Parameters

The IDC Leadership Grid has been constructed along two axes: alignment with market needs and ability to gain market share. The axes are intended to be treated separately. Thus, a poor alignment with market needs has no bearing on how well the service provider is positioned to gain market share.

Opportunity Alignment: X-Axis

This axis communicates the degree to which a contact center BPO firm has aligned its services with the market's needs. In measuring this quality, IDC considers whether the firm provides a combination of the services listed previously as part of the requirements for inclusion on this grid and assesses the firm's:

- Ability to set industry standards
- Market share
- Potential for market dominance
- Potential for place or show
- Product and service breadth

Ability to Gain Share: Y-Axis

This measure illustrates a company's ability to gain market share and is based on broad qualitative attributes, such as:

- CRM services mindshare

- Proven track record
 - Financial stability
 - Partnerships/alliances
 - Ability to create deals
-

Synopsis

This IDC study examines some of the best players in the contact center services market. This year's document profiles BPO providers that are solid examples of leadership and innovation, locating them within IDC's Leadership Grid. In the process, it addresses issues such as:

- Which customer care BPO players are market leaders and innovators?
- Which players appear well-positioned to survive the economic downturn and perhaps position themselves to thrive years down the road?
- What recent strategic moves have these companies made amid the economic downturn?

"The economy may be sliding into a place many of us are unfamiliar with. Still, a select group of customer care outsourcers may come out of this era stronger than before. This competitive landscape study looks at some providers that are negotiating the murky present in ways that suggest the possibility of a bright future for the smart and the lucky." — Stephen Loynd, program manager, IDC's Contact Center Services program

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