GCS



> WHITE PAPER

AI Upending The Contact Centre: Where the Opportunity Lies For Investors

By the early 2020s, the contact centre market was already vast with continually increasing volumes and complexity. Then AI came along.

The sector is one of the technology categories most affected by AI – there has been widespread successful adoption of various AI technologies, and this has led to major shifts in the technology provider and service partner landscape. This has created some fantastic investment opportunities, but also wrong-footed a number of established players. Investors are rightly wary.

Here we explain why the Contact Centre has been so much more disrupted by AI than other areas, the state of the sector today and the long-term outlook – and most importantly, what that means for investors going forward.

> INTRODUCTION

Long Term Fundamentals Are Strong...

The contact centre market remains one of the most structurally attractive segments in enterprise technology.

> Very large market. It is vast (>£10bn spend in Europe alone) and deeply embedded across almost every customer-facing industry.

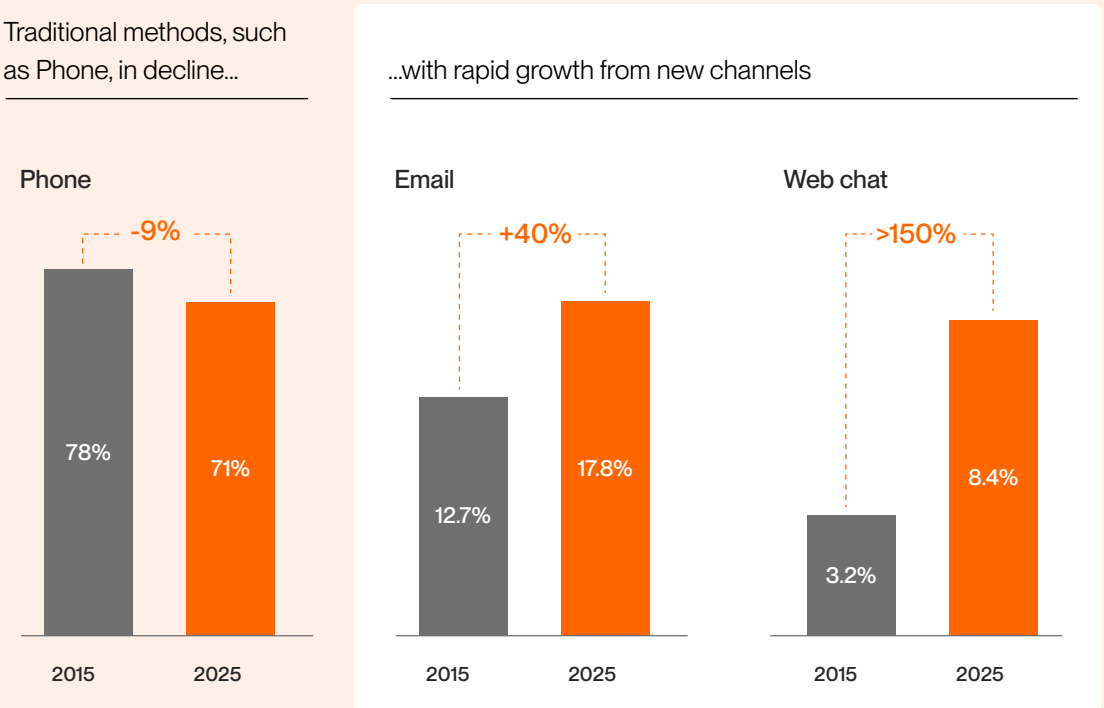
> Rising interaction volumes. Growing populations, a multi-decade shift from physical to remote engagement (e.g. stores to online) and rising service standards mean customers are increasingly engaging with the contact centre. Better service also generates more engagement by design, increasing the need.

> Growing solution complexity. Customer journeys are increasingly multi-channel, spanning voice, chat, email, and self-service (see Exhibit 1). The underlying stack has evolved from on-premise telephony and automatic call distribution (ACD) to cloud-based platforms that bring together omnichannel routing and wider operations tooling such as workforce and quality management, analytics and CRM integration – but there are a lot of partial migrations out there, making the picture even more complex.

> A shift towards revenue generation. Contact centres are increasingly measured on the revenue they drive, not only on cost and delivery efficiency. This has the potential to raise the seniority of engagement in end-customers and unlock significant extra budget.

Exhibit 1 – Inbound interactions by channel

Share of total inbound interactions (%)



Source: ContactBabel, US Contact Centre Decision-Makers Guide 2026; historical data archived by GCS.

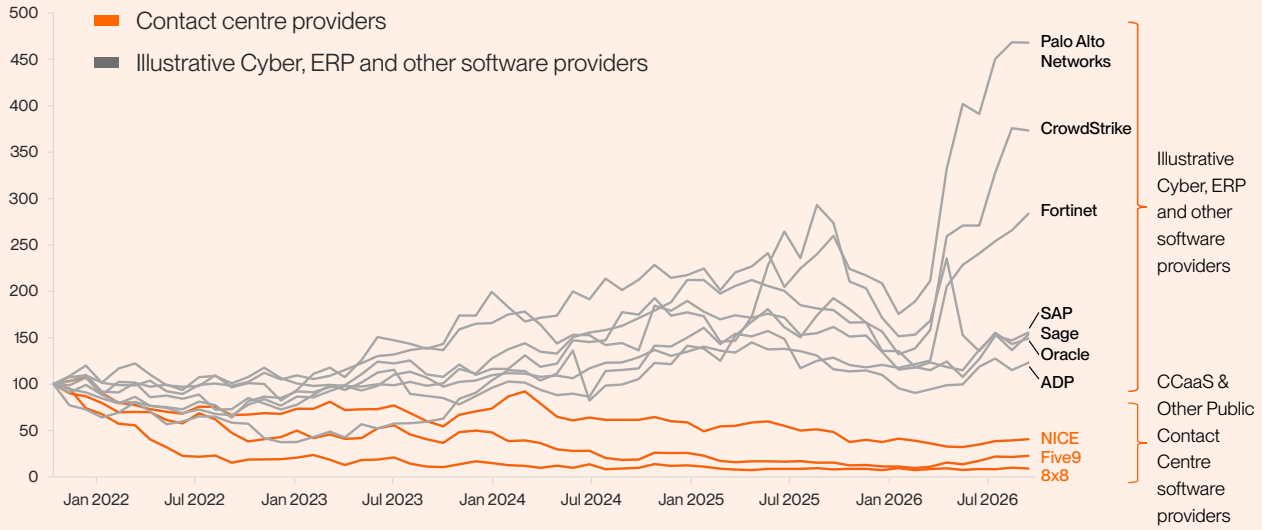
> INTRODUCTION

...But AI Has Upended The Old World

However, AI has hit this market harder than most, and it has been a net-negative for established players - large technology vendors have materially underperformed peers in other software categories, and a number of PE-backed investments have struggled (see Exhibit 2).

Exhibit 2 – Public market stock prices

(Index Sept 2021 = 100)



Source: Google Finance

This then leads to four critical questions:

1. Why has AI had an oversized impact on the contact centre?
2. What has actually happened so far?
3. Where does the opportunity lie for European investors amid the upheaval?
4. What are the key questions to ask in commercial due diligence?

Q1. Why has AI had an oversized impact on the contact centre?

From both a technical and commercial perspective, contact centres are more exposed to the benefits and risks of AI - three factors explain the scale of the impact:

- **The use-cases suit AI.** Contact centres handle high volumes of relatively standardised interactions. They also hold large datasets and well-defined rule sets, not least the scripts and training material written for human agents. Further, these interactions are already often handled remotely with limited human contact – we are already used to engaging with "a faceless person in a contact centre", so transitioning to "a faceless AI in a contact centre" is a marginal shift.
- **The financial case is easy(-er) to prove.** Contact centre spend already exists, and is often large – AI-enabled systems can be a cost-out story and have a very large, known $/€/£ number to save from. Performance can be easily measured - resolution rates, handle times, cost per contact etc. are already measured with precision, and can be easily compared. Best of all, the budget usually sits with the same owner who would invest in AI, making the business case simpler to build, decision easier to make, and the savings easier to capture. Compare this to other sectors where the spend on AI needs to come from new budgets, where the ROI case is hard to establish, and where stakeholders/ownership is unclear.
- **The pricing model is also being disrupted.** Contact centre software has traditionally been priced per seat. As automation, now accelerated by AI, reduces headcount, seat-based revenue falls with it. Vendors now need to price based on volumes and outcomes, and this transition has been painful.

It's important to note that there are clear limits. Some interactions, such as upselling and account management, are lower in volume, more complex and high in value, and remain better suited to human agents supported by agent-assist tools. Regulation also constrains adoption: in many sectors the penalties for error are severe, and some rules explicitly require a human in or on the loop. These limits are important and create the complexity and opportunity going forward for investors.



Q2. What has actually happened so far?

The results are in: these systems clearly drive efficiency and effectiveness in a large number of areas. Automation is substantially cheaper than the traditional agent-led phone channel (see Exhibit 3), and this is hitting the real world with significant employee reductions (see Exhibit 4).

Exhibit 3 – Cost savings by channel

Cost per inbound interaction

Mean cost, US dollars

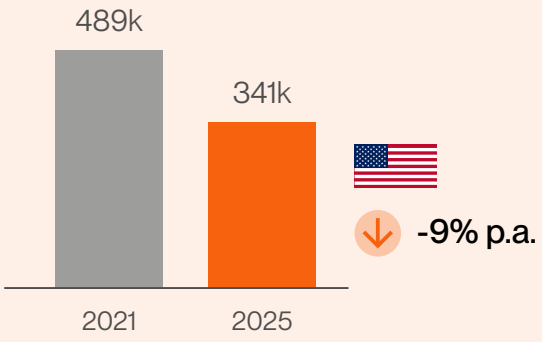
Channel	Mean
Phone	$7.16
Email	$6.05
Web chat	$5.06
Social media	$5.75
IVR / voice self-service	c. 30-50c
Web self-service	c. <10c

Source: ContactBabel ICG, Chatbots Voicebots (US)

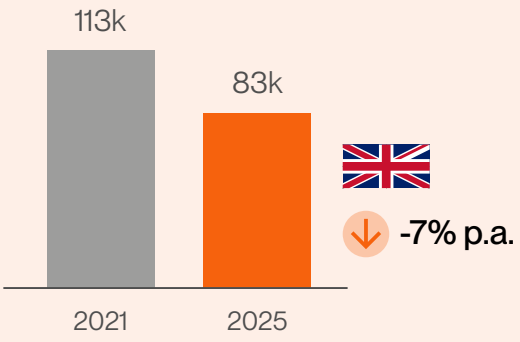
> "People always want to reduce costs where they can. The first wave was taking $10 calls and making them $3 calls by going from US to India... But now the prospect of being able to take a $3 call in India, turn that into an 80 cent call that you're having with an AI bot with no hold time, that speaks with the same accent that you do and can actually solve your customer's problem... it's just tantalizing for these folks."
> - C-Suite, CCaaS Vendor

Exhibit 4 – Contact centre employment

2021 versus 2025, by geography



Source: US Bureau of Labour Statistics. January data; Telephone call centers industry.

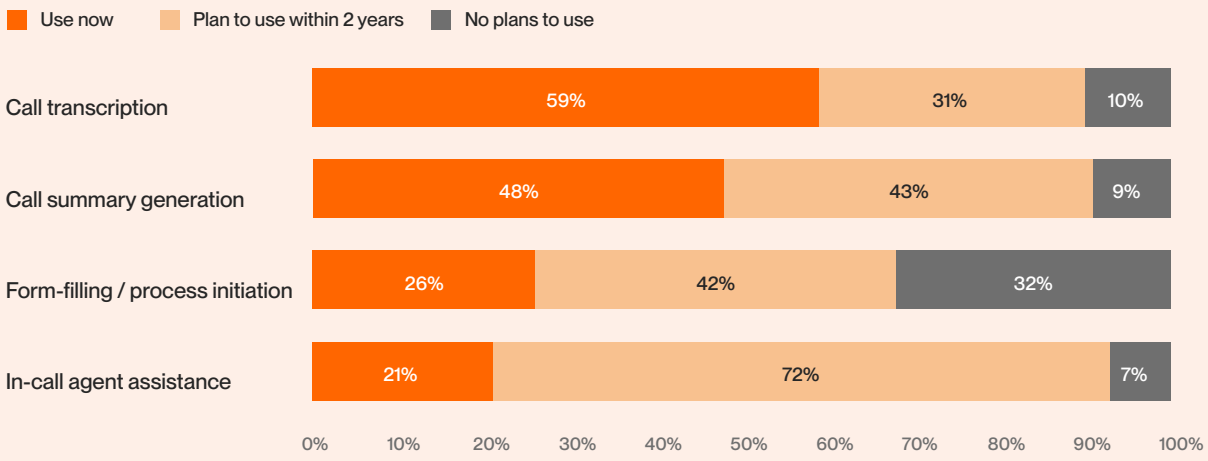


Source: ONS. Total employment in Call and contact centre occupations.

Early momentum has been strong, but we are still in the first stages. Progress has nonetheless been held back by large, fragmented legacy estates, high switching costs and buyer caution about committing capital while the technology continues to evolve rapidly (see Exhibit 5).

Exhibit 5 – Use of AI applications within the contact centre

Share of respondents (%)



Source: ContactBabel, The US Contact Centre Decision-Makers Guide 2026.

From a vendor/technology perspective, this has then driven a dramatic shift in the provider set. The objective is clear: to be the leading horizontal Contact Centre software platform, with proven AI capabilities. At the moment, there are three groups converging on the same space:

> **Established contact centre vendors** such as Genesys, Avaya and Cisco, which benefit from large installed bases and deep domain expertise.

> **Well-funded, AI-native specialists** such as Sierra and Decagon, which pair contact centre use cases with a broader AI agent proposition and have no legacy product suite or customer debt.

> **Hyperscalers,** including Google (Contact Center AI) and Amazon (Amazon Connect), with mass Cloud scale, established propositions and deep pockets.

Of course, the foundational model providers such as OpenAI and Anthropic are present too. While not directly active to date, their primary objective is to drive usage of their underlying models and their Go-To-Market models are rapidly evolving. Much like the Cloud providers (esp. Amazon and Google) created dedicated Contact Centre flavours to drive consumption, the foundational model providers might well do the same.

Q3. Where is the opportunity for European investors?

Our working assumption is that, whoever wins the horizontal software platform battle, these are not assets mid-market investors can buy! The opportunity therefore lies in four adjacent positions.

- **Partner with the winners.** In the services world, that means implementing these platforms and managing customers' transitions from legacy estates - given the scale and fragmentation of the installed base, migration alone represents a substantial, multi-year services and support opportunity. In the product world, that means close integrations and complementary functionality with the winners.
- **Go deep where horizontal platforms underperform.** Highly verticalised software or services solutions in segments that horizontal players are unlikely ever to prioritise because of their complexity. Financial services is a clear example: human-in-the-loop requirements, niche accreditations and regulation that varies from country to country create defensible niches.
- **Capture the wider data, governance and integration work.** AI that resolves customer issues, rather than simply deflecting them, needs access to customer records, billing, order management systems and knowledge bases. It also needs robust governance covering accuracy, compliance, data residency and auditability. This favours vendors and integrators that can connect workflows end to end, and it raises switching costs once they are embedded.
- **For Services businesses, grow recurring "product" revenue.** There are an increasing number of examples of the "Forward Deployed Engineer" model taking hold – taking LLMs, integrating client systems and delivering bespoke solutions that generate growing product revenue – and increasingly these are then being repackaged as product sales to new clients, blurring the line between Services and Product businesses (and valuation uplift for Services).



Q4. What are the key questions for commercial due diligence?

There are six key questions we emphasize alongside the traditional long-list:

- **Is the target backing the right platform?** Beyond picking a likely winner, is the target gaining traction in that vendor's core strengths? Traction in an area where the vendor is weak, and may deprioritise or lose share, is far less valuable. For Services business, it is also critical to assess the vendor's channel strategy and history (extent in-house delivery arm competes with partners, commercial terms in place, and stability of these factors over time)

- **For those with vertical specialisations – how defensible are these in the long term?** What hard barriers (regulations, niche system integrations, etc) mean horizontal systems will never be able to compete, rather than just not competing at the moment?

- **Is this revenue model future-proof?** Traditional models were time-and-materials for services businesses and per-seat for software businesses. How far has the target moved towards outcome-based pricing, or at least consumption-based pricing? How are key account growth metrics performing (e.g. NRR)? For Services business, does the partner earn more revenue and higher gross margin after moving to the future models (AI enabled etc)? For example, does a mix of consumption- or outcome-based fees, proprietary IP and moderate professional services outperform the legacy model of perpetual licence resale plus ongoing managed and professional services?

- **For Services businesses, is the model evolving towards Forward Deployed Engineers (FDE) and is the model scalable?** Related to the revenue point above, is the FDE model (or equivalent) established and proven? And longer term, how scalable is this – are growth plans really accounting for the expansion in hires required, and given this is scarce and "needle moving" talent, is there a clear model in place to attract and retain this resource?

- **Does the target have the ability to drive change, and revenue, in large accounts?** Does the target have access to the C-suite, and is it involved in the strategic discussions that shape multi-year roadmaps?

- **What has actually been delivered?** Perhaps obvious, but worth emphasizing in this sector in particular given the rate of change and hyperbole. Establish the precise scope and technical domains of completed work.

> CONCLUSION

Forget the past - look to the future

The performance of businesses in this space has varied substantially in the past five years – but more so than ever, the past is not a reliable indicator of future performance.

The questions above apply to high-growth success stories, as well as to businesses that are pivoting hard. For high-growth success stories, the emphasis is on validating that the situation which has led to rapid growth will continue – primarily that the differentiation is durable. For those having to pivot, these questions frame the choice they are having to make – where do we fit in the new world? Answering that well, with early evidence of success, can build significant confidence, momentum and ultimately attractive investment opportunities.

GCS has completed multiple commercial due diligence projects across the contact centre products and services markets.

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