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EXECUTIVE SUMMARY

CX in the Telecommunications Industry

Software Platforms, Applications, and Services: Global Market Analysis and Forecasts

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Section 1
Executive Summary

1.1 Introduction

The telecommunications industry is somewhat unique, in that the products and services offered by each main competitor are somewhat similar. For example, while there may be some slight differences in feature sets or offerings, for the most part, a mobile phone activated on Vodafone's network operates pretty much the same way as one activated on AT&T's network. Although new technologies, such as 5G, may provide a specific carrier with some technological advantages initially, at some point, the playing field will again level as all major players roll out the technology.

The same can be said for telecommunications providers that offer TV, internet, and other services that were once the domain of cable companies and local telephone providers. These companies have faced a rapid escalation of demand for new technology (primarily high-speed internet services, but also an expansion of the number of content sources available), and are spending heavily not only on operational costs, but also on advertising and marketing.

While new customer acquisition is important, this industry's focus is also on retaining and delighting customers, as customer churn (the metric expressing the percentage of customers that stop using a product or service) is detrimental on a revenue basis, and also impacts the company's ability to invest in new technologies or services at scale.

As a result, customer service and CX are critical factors in building and maintaining a competitive advantage within this sector. While instituting mindset and process changes are the underlying drivers of improved CX, software platforms and applications can be the tools used to monitor, measure, and improve CX processes and programs more accurately.

This Dash Research report focuses on the software platforms and applications used to manage seven functional areas of CX, including customer relationship management (CRM), customer data & analytics, contact center, personalization & optimization, customer data platform (CDP), customer insights & feedback, and employee experience (EX), as well as the associated services revenue used to install, integrate, customize, and maintain the software.

1.2 Market drivers

The telecommunications CX market is driven by a relentless focus on increasing revenue and profitability. Building out and maintaining top-tier networks to handle the ever-increasing number of users and devices is expensive, as are the marketing and advertising campaigns used to attract new customers. The key market drivers spurring the growth of CX software and services in the telecommunications market include the following:

- High rates of customer churn
- COVID-19 placing new staffing demands on telecom providers
- Desire to improve of fulfillment cycles, service assurance, and accurate billing
- Increasing customer expectations for consistent and seamless omnichannel experiences

1.3 Market barriers

There is no single barrier to the growth of CX software and services in the telecom market. Instead, the barriers come from a variety of sources and range from practical, organizational, or technology hurdles, to issues related to change management and organizational operational philosophy.

The key market barriers tempering the growth of CX software and services in the telecommunications industry include the following:

- Technology integration issues between multiple CX/CRM platforms
- Change management challenges with employees
- Challenges with balancing improved CX against revenue demands

1.4 Market forecast highlights

Dash Research projects that the global market for CX/customer engagement (CE) software and services in the telecommunications industry will reach $16.4 billion by 2026, up from $8.5 billion in 2019, reflecting a 2019 to 2026 CAGR of 9.7%. North America, with its large concentration of software vendors and base of large telecom providers will dominate the forecast, generating $9.2billion in 2026 revenue, up from $3.5 billion in 2019. North America's dominance is due to the relative ease of customer switching between providers, which has led providers to spend on software and services designed to improve CX and reduce churn.

The COVID-19 pandemic has also led some companies increasing spending on CX software and services, largely because of the rapid increase in demand for in-home telecommunications services (voice, TV, internet, etc.) Additionally, many telecom organizations had to set up remote CX departments, which required spending on customer care platforms that were cloud based or, increasingly, used some form of automation and/or artificial intelligence (AI) technology, which also spurred software technology investments.

1.5 Dash Research insights

- Providing excellent and consistent CX can be supported by technology applications, platforms, and services, but ultimately depend on the willingness of the telecom provider to assess its current state of CX delivery, listen to customer feedback, aligning its revenue-generation approach with the type of CX service it wants to provide, and then implementing and reinforcing specific operational and behavioral changes.
- Spending on CX software and services is projected to increase steadily over the next several years, as telecom providers understand that CX performance is based on understanding how customers interact with them, and then taking a customer-centric approach to sales, marketing, and service operations.
- CX in the telecom industry is likely always going to be marked by friction, simply due to the diametrically opposed objectives of customers (who want more features and services for less money) and providers (who may need to provision or limit services to remain competitive, while still raising prices). Good CX practices that revolve around anticipating customers' needs, as well as improving clarity and transparency, may help provide a better overall CX.

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8.1 Scope of study

This report examines the market issues, drivers, and barriers CX and CE software platforms, software applications, and services targeted at the telecommunications industry. For the purposes of this report and forecast, the telecommunications market is defined as any organization that provides wireline telephony services, wireless telephony services, mobile internet services, wired (home or commercial) internet services, TV services, or resells that service (e.g., MVNOs) directly to customers. The category does not include content-only providers (e.g., Netflix, Prime Video, or Hulu, or independent content channels, such as HBO). The rationale for this categorization is to reflect the real-world competitive space, in which customers will compare the offerings of traditional cable companies and phone service providers versus all-in-one providers, such as Verizon or AT&T.

8.2 Sources and methodology

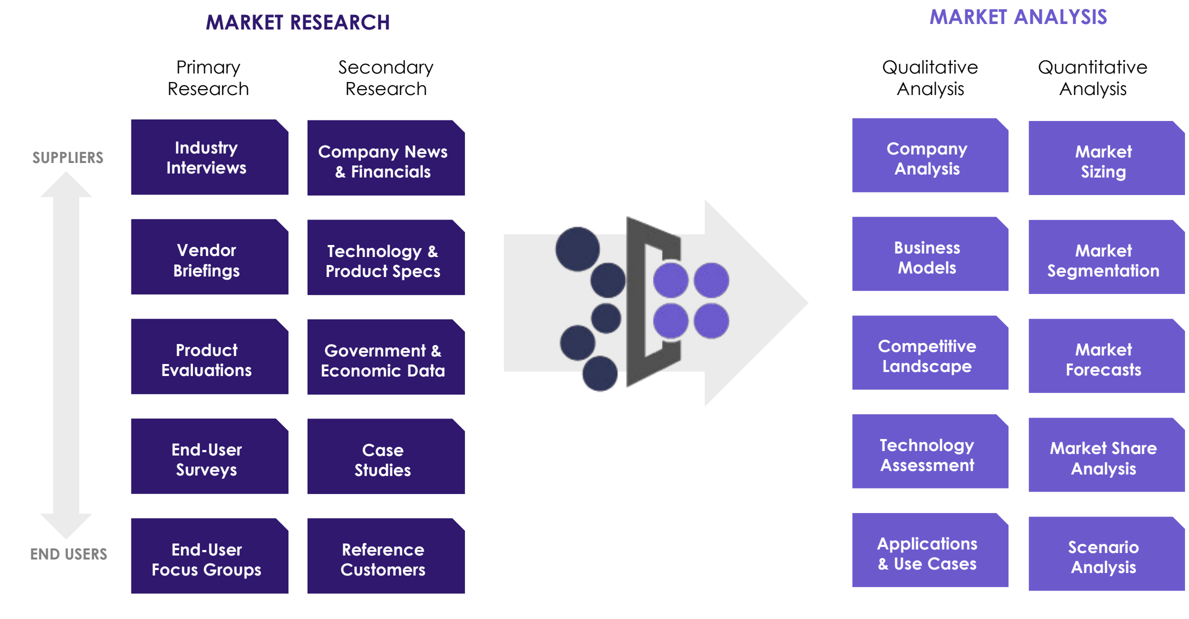
Dash Research is an independent market research firm that provides industry participants and stakeholders with an objective, unbiased view of market dynamics and business opportunities within its coverage areas. The firm's industry analysts are dedicated to presenting clear and actionable analysis to support business planning initiatives and go-to-market strategies, utilizing rigorous market research methodologies and without regard for technology hype or special interests including Dash Research's own client relationships. Within its market analysis, Dash Research strives to offer conclusions and recommendations that reflect the most likely path of industry development, even when those views may be contrarian.

The basis of Dash Research's analysis is primary research collected from a variety of sources including industry interviews, vendor briefings, product demonstrations, and quantitative and qualitative market research focused on consumer and business end users. Industry analysts conduct interviews with representative groups of executives, technology practitioners, sales and marketing professionals, industry association personnel, government representatives, investors, consultants, and other industry stakeholders. Analysts are diligent in pursuing interviews with representatives from every part of the value chain in an effort to gain a comprehensive view of current market activity and future plans. Within the firm's surveys and focus groups, respondent samples are carefully selected to ensure that they provide the most accurate possible view of demand dynamics within consumer and business markets, utilizing balanced and representative samples where appropriate and careful screening and qualification criteria in cases where the research topic requires a more targeted group of respondents.

Dash Research's primary research is supplemented by the review and analysis of all secondary information available on the topic being studied, including company news and financial information, technology specifications, product attributes, government and economic data, industry reports and databases from third-party sources, case studies, and reference customers. As applicable, all secondary research sources are appropriately cited within the firm's publications.

All of Dash Research's reports and other publications are carefully reviewed and scrutinized by the firm's senior management team in an effort to ensure that research methodology is sound, all information provided is accurate, analyst assumptions are carefully documented, and conclusions are well-supported by facts. Dash Research is highly responsive to feedback from industry participants and, in the event errors in the firm's research are identified and verified, such errors are corrected promptly.

Chart 7.1 Dash Research Methodology



8.3 Forecast methodology

Dash Research has taken a multifaceted approach to developing its forecast model. A scan of the market was undertaken to identify a market ecosystem consisting of companies serving the telecommunications market, including small, medium, and large players, across seven key CX functional areas: contact center; personalization & optimization; customer feedback; customer data & analytics; CRM; CDP; and EX.

Using a combination of company-supplied data (annual reports, press releases, and analyst conference calls) and public and subscription-based company databases, an assessment of each company's revenue was captured for the base year of 2019. Further assessments on the amount of revenue that was directly attributed to CX platforms, applications, and services were made, along with an assessment of the revenue level attributable to telecommunications company customers, which were cross-checked against customer lists, press releases, and industry news reports.

To forecast the potential market value, industry growth rates from several sources were collected, analyzed, and applied as a baseline growth rate for the industry. Then, segment growth rates were calculated by implementing technology adoption growth curves for each region and functional area, taking into account the internal market dynamics and external economic factors that impact the market.

The forecast is not without limitations; many of the functional areas overlap, and Dash Research's categorization relies not only on vendors' classification, but on an assessment of what the company's products and services actually allow a telecommunications provider to accomplish. Further, while Dash Research has attempted to capture a wide-ranging and comprehensive ecosystem of companies, the definition of what constitutes CX software and services is highly variable. Dash Research has focused on companies that offer solutions that are clearly focused on CX, as opposed to marketing automation, sales automation, or other related applications.

8.4 Copyright notice

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