DashResearch
cx market intelligence

EXECUTIVE SUMMARY
CX Market Forecasts

Consumer Data & Analytics, Customer Relationship Management, Contact Center, Personalization & Optimization, Customer Data Platforms, Customer Insights & Feedback, and Employee Experience

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Section 1

Executive Summary

1.1   Introduction

CX has been best described by the Customer Experience Professionals Association (CXPA) as "the perception that customers have of an organization, one that is formed based on interactions across all touchpoints, people, and technology over time." Given the intense level of competition between companies of all types and across all industries, it is no wonder that organizations have been focusing on ways to improve CX, as it is often the key criteria customers use to select a product or service.

This is especially true in industries where several competitors offer a functionally similar offering. Although there may be small feature set or pricing differences, it is often the way a customer feels during and after a business transaction that is key decision criteria. To ensure that an organization can understand all the elements that go into how a customer feels about a company, including product quality, service responsiveness, empathy, and level of personalization, capturing a plethora of customer data is key.

This Dash Research report includes a market forecast that spans 20 industries and covers the business-to-business (B2B) and business-to-consumer (B2C) software and services opportunity related to CX. The forecast is broken into a variety of segments, based on the region in which the software is used, the offering itself (software platform, service, or software application); functional area (customer data & analytics, customer relationship management (CRM), contact center, personalization & optimization, customer data platform, customer feedback, and employee experience); and industry.

Ultimately, CX improvements are driven by organizational change management, which is often best applied via a top-down approach, with appropriate levels of oversight to ensure best practices are followed consistently. However, software can be used to support these initiatives, as they can provide access to a cornucopia of customer data that is captured and aggregated from a variety of sources. This report examines the drivers of spending on CX software and services, and illustrates which segments and industries are likely to see the most investment over the next several years.

1.2   Market drivers

The key market drivers spurring the growth of CX software and services include the following:

- **The COVID-19 pandemic shutdowns and reopening:** COVID-19 shutdowns forced businesses to re-evaluate how they interacted with their customers, from marketing to sales to fulfillment, and many sought new software platforms and applications to better support the digital and hybrid models of operation.

- **Omnichannel becomes table stakes:** Customers have become accustomed to interacting with companies through a variety of channels, and they expect the experience to be both similar and seamless, regardless of the channel. Software platforms that allow customer data to be accessed via any channel are rapidly becoming a must-have feature.

- **The rise of customer centricity:** Companies are increasingly taking the long view, focusing on providing the best experience to customers, via the channels and processes that are preferred by the customer, rather than making the customer adjust to the way the company has always conducted business. Software platforms that support a customer-centric view of customer activity, rather than focusing solely on product sales or inquiries, are growing in popularity.

- **Elimination of functional silos:** Providing a good CX means focusing on meeting customers' needs when they want something, and where they want it. This not only requires customer data to be available via any channel, but for any channel to serve as a portal for providing customer service, customer success, customer feedback, and, in some case, as a sales funnel. Software that can provide that type of flexibility will become increasingly popular as the walls between traditional sales and support continue to blur.

1.3 Market barriers

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

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

- **Customer resistance to data capture:** Customers are rightfully wary of providing information to companies, given the prevalence of data breaches.

- **Technology integration issues between multiple CX/CRM platforms:** While application programming interfaces (APIs) generally make the integration between various applications seamless, this may not always be the case with organizations that use legacy applications that sit on the mainframe. These organizations often need to invest significant time and resources to handle the software integration process.

- **Synchronization issues between frontend CX and backend fulfillment:** While software can provide additional insight into the operational workflow of the company, thereby providing more visibility on product and service availability to the customer, this visibility must be synchronized with the actual processes and the factors that may impact them. For example, software that provides estimated shipping times to customers must make sure that the actual shipping schedules are not only adhered to, but that they meet the customer's expectations for being "reasonable."

- **Change management issues:** Perhaps the biggest challenge is getting all levels of the company onboard with the changes that will be required to implement better CX. Employees that are not committed to implementing process and procedural changes to provide better CX are unlikely to fully reap the benefits of any software platform or application, which could ultimately make it more challenging for vendors to continue to sell into the organization.

1.4 Market forecast highlights

The global market for CX and customer engagement (CE) software and services revenue is projected to expand to $100.3 billion by 2026, up from $68.1 billion in 2019, reflecting a 2019-2026 CAGR of 5.7%. The forecast considers the use of software platforms, standalone applications, and related consulting or integration services, but does not include hardware sales or CX employee training costs.

While CX software is being used across a wide range of industries, four of them—telecommunications, healthcare, financial services, and retail—are projected to provide much of the market's revenue, due to a combination of customer reach, available capital, and intense competition among industry participants.

Figure 1.1   Fat Head/Long Tail by Industry, by Cumulative Revenue, World Markets: 2019-2026

Source: Dash Research   © 2021 Dash Network
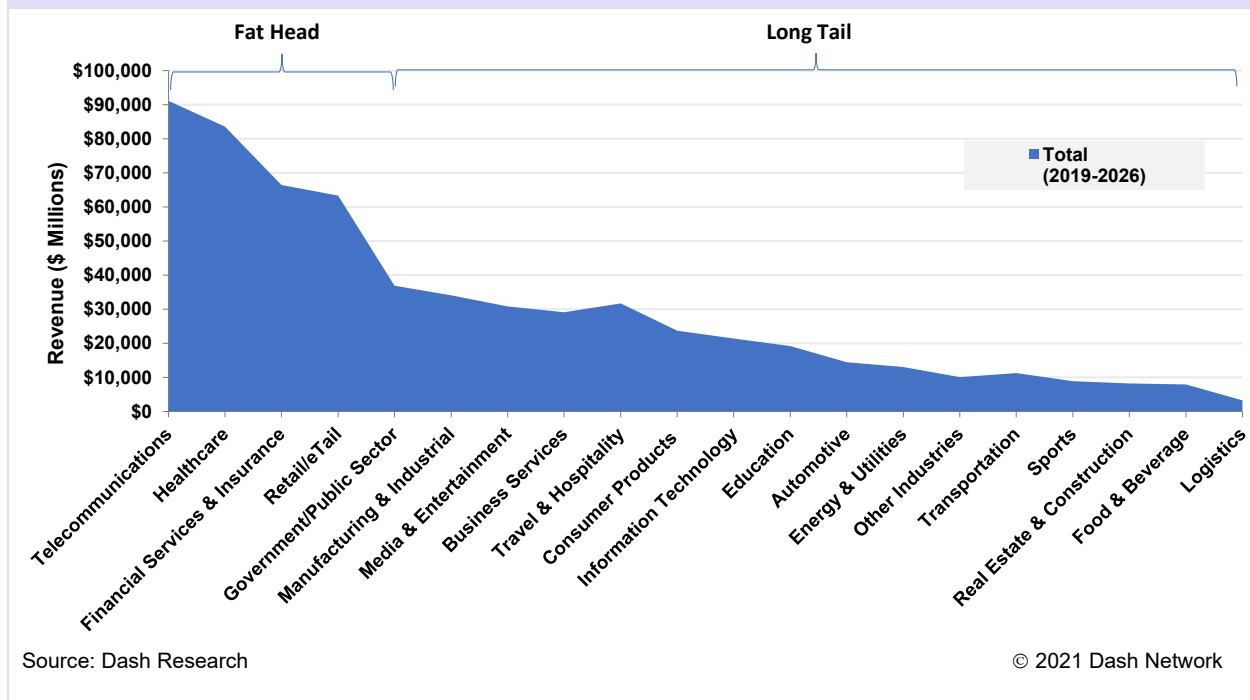
All told, there is a significant amount of both excitement and investment surrounding the CX market. They key to sustaining the strong revenue growth over the forecast period and beyond will ultimately be related to the ability of organizations to link revenue growth back to CX efforts and the tools that help carry out that mission.

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7.1   Scope of study

This Dash Research report includes a market forecast that focuses on the business-to-business (B2B) and business-to-consumer (B2C) software and services opportunity related to customer experience. The forecast is split into a variety of segments, based on the world region in which the software is used, the offering itself (software platform, service, or software application); functional area (customer data & analytics, customer relationship management, contact center, personalization & optimization, customer data platform, customer feedback, and employee experience); and industry. The impact of the COVID-19 pandemic, the market drivers and barriers, and insights into four industries that are driving the market spending (telecommunications, healthcare, financial services, and retail) are discussed in the report, along with recommendations for both end users and vendors.

7.2   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.
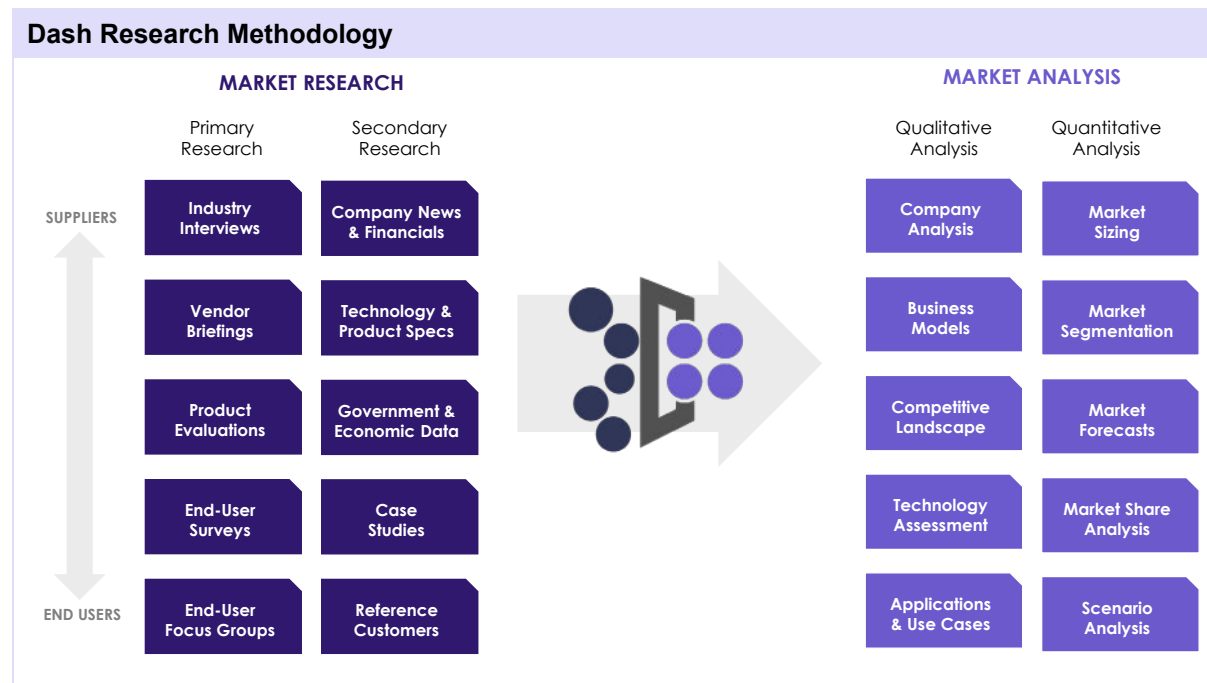
7.3   Forecast methodology

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 retail market, including small, medium, and large players, across seven key CX functional areas: contact center; personalization & optimization; customer feedback; customer data & analytics; customer relationship management; customer data platform; and employee experience.

Using a combination of company-supplied data (annual reports, press releases, 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, or services were made, along with an assessment of the revenue level attributable to retail 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 and 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 retail 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 retailer 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.

Dash Research Methodology

MARKET RESEARCH				MARKET ANALYSIS	
Primary Research	Secondary Research			Qualitative Analysis	Quantitative Analysis
Industry Interviews	Company News & Financials			Company Analysis	Market Sizing
Vendor Briefings	Technology & Product Specs			Business Models	Market Segmentation
Product Evaluations	Government & Economic Data			Competitive Landscape	Market Forecasts
End-User Surveys	Case Studies			Technology Assessment	Market Share Analysis
End-User Focus Groups	Reference Customers			Applications & Use Cases	Scenario Analysis

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